INVESTOR MEETING 2013

November 21, Santa Clara, CA

If it Computes, it does it BEST with Intel

Stacy Smith
Executive Vice President
Chief Financial Officer

INVESTOR MEETING 2013

November 21, Santa Clara, CA



Stacy's 2014

Guidance Haiku

Units Autumn Renew
Warmth of Data Fireplace
Spring Mobile Motion!

Haiku

A Japanese lyric verse form having three unrhymed lines of five, seven, and five syllables, traditionally invoking an aspect of nature or the seasons

Key Messages

Repositioning the company to sell into broad range of devices

- If it computes, it does it BEST with Intel

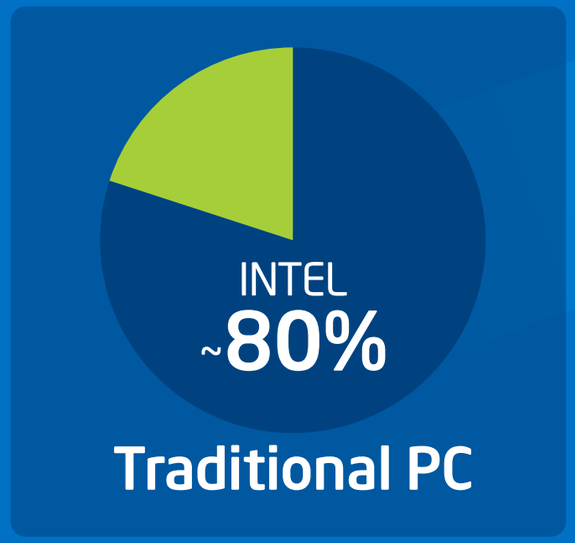
The explosion of devices, services and data are driving the growth of our data center business

Process technology leadership = Economic benefits (i.e. lower cost, foundry opportunity)

If it Computes, it does it BEST with Intel

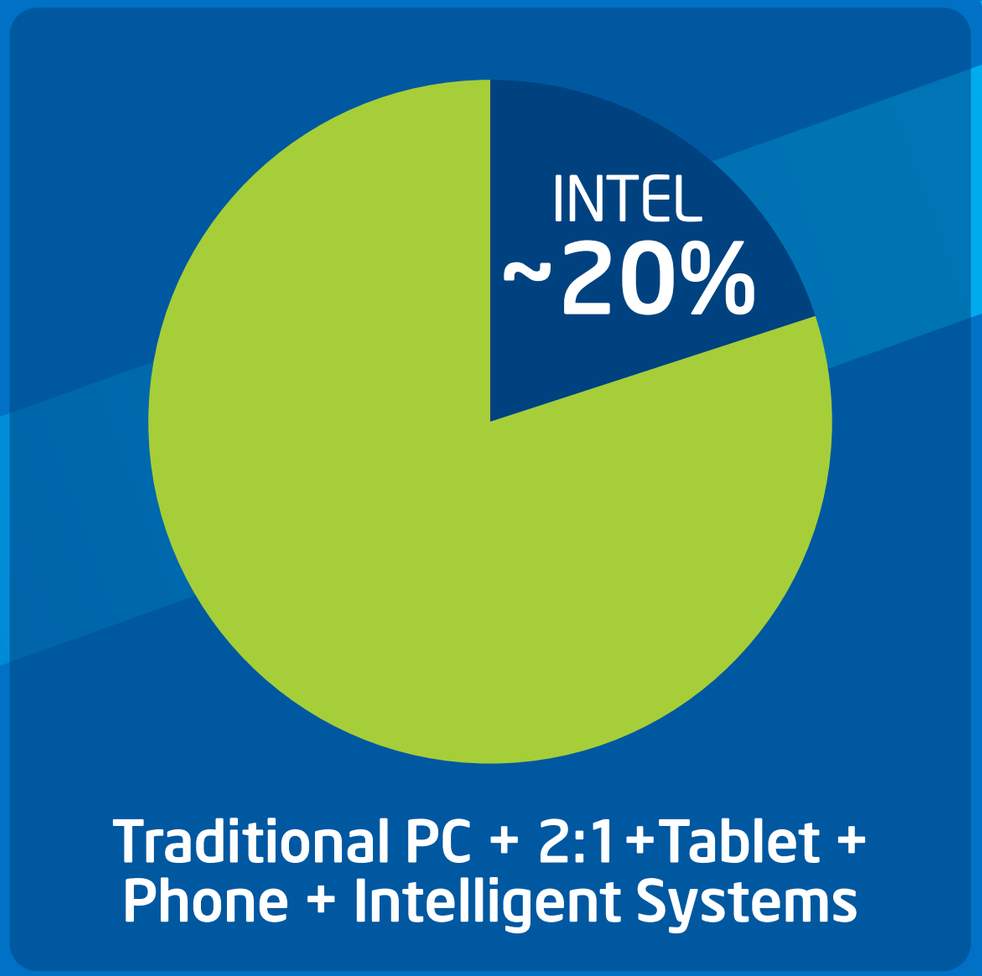
Circa 2010

~350Mu



2014+

3 Billion Units+



Forecast is based on current expectations and is subject to change without notice
Source: Intel, IDC

Shifting Investments

2014 Spending Forecast vs. 2012

Tablets	> 75% Increase	SOC, Android
Internet of Things	> 20% Increase	Intel® Quark, new devices
Multi-comms	> 15% Increase	LTE
Technology Development	> 10% Increase	Extending process technology lead
Data Center	> 10% Increase	Networking, storage, cloud, big data, fabric
Software	> 5% Increase	Security, Cloud Services
PC	> 5% Decrease	Up in 2:1s and compelling UX, down in traditional PC
Phones	> 20% Decrease	Focus on market leaders, converged SOC roadmap

Forecast is based on current expectations and is subject to change without notice
Source: Intel

Segments of our Business

Our Core Financial Advantage

Cash and Shareholder Return

PC Client Group



2013 Rev/OM
$32.7B / $11.6B

Other Intel Arch.



2013 Rev/OM
$4.0B / ($2.5B)

Data Center Group



2013 Rev/OM
$11.5B / $5.3B

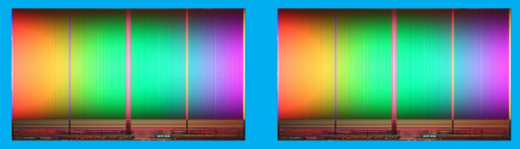
Software and Services Group

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2013 Rev/OM
$2.5B / Breakeven

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All Other



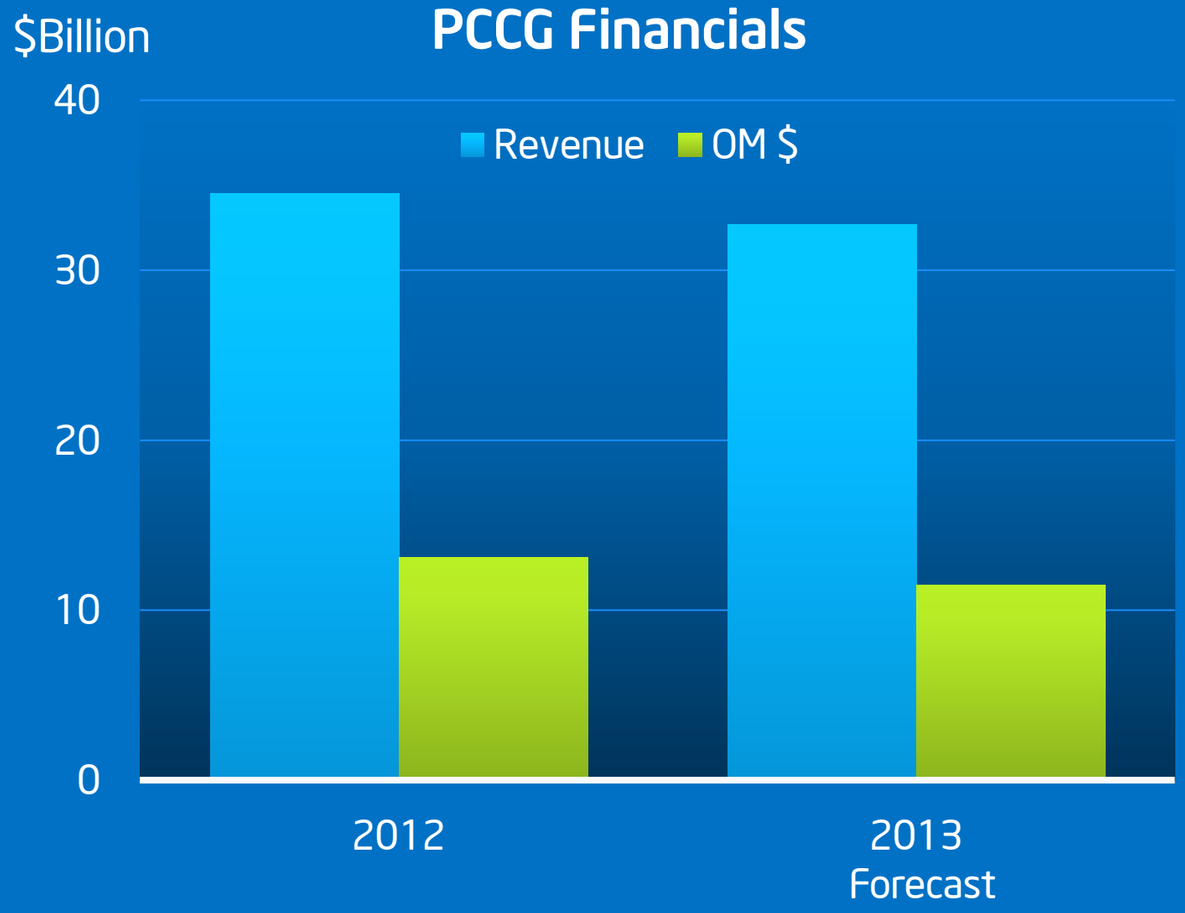
2013 Revenue
$1.9B



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

PC Client Group

2012 vs. 2013 Forecast



2013 PERFORMANCE

~$32.7B of revenue: Down ~5% YoY

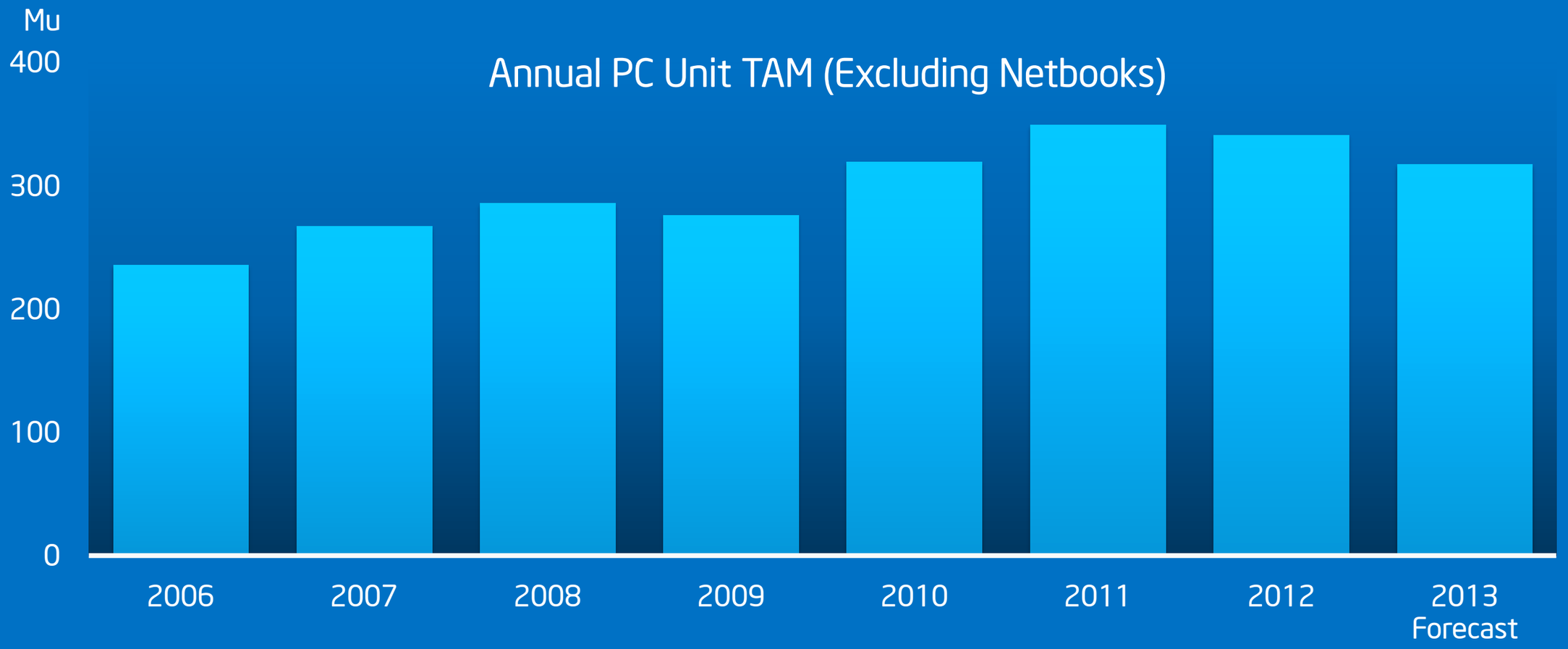
- PC TAM down ~10% YoY, excluding netbooks down ~7%.

~$11.6B of operating margin: ~35% of revenue

- Unit cost down in the performance and mainstream segments
- Increased investment in 2:1s / perceptual computing, overall lower investment

*Forecast is based on current expectations and is subject to change without notice
Source: Intel

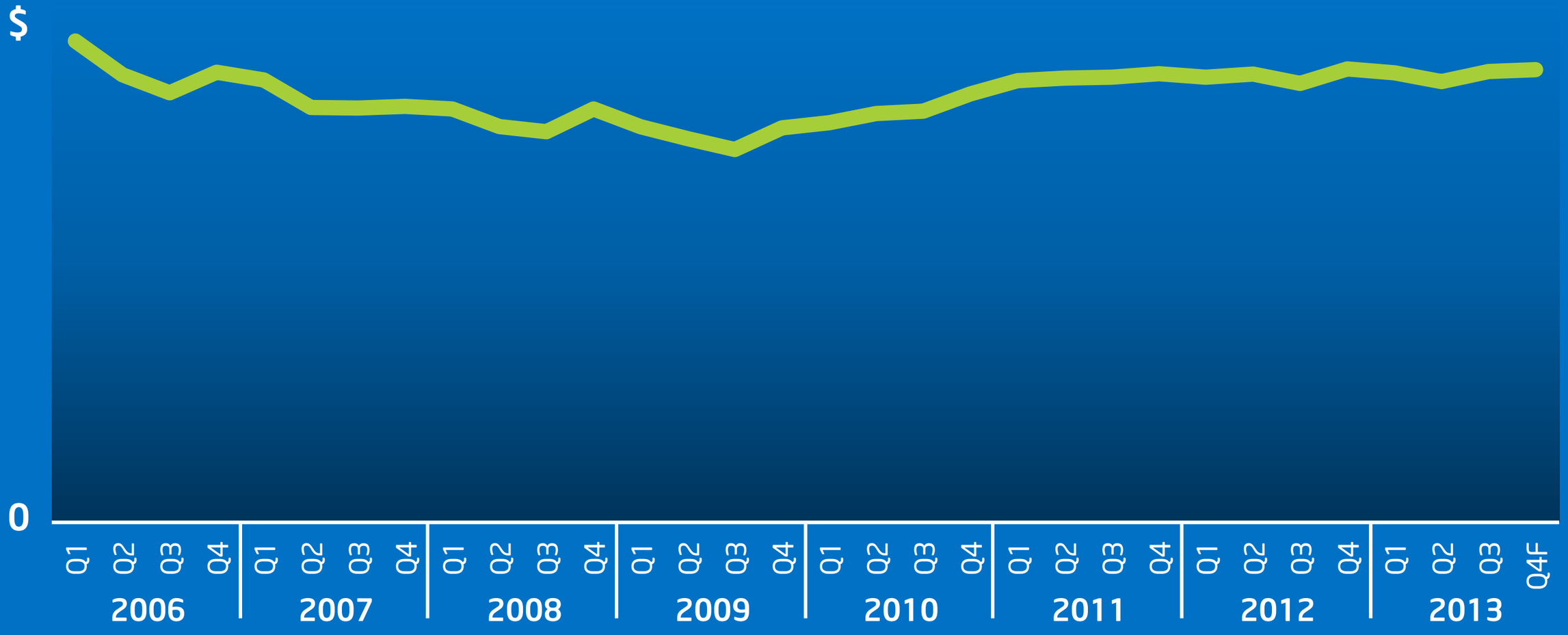
PC Unit Trend



PC market is stabilizing.
We expect units slightly down next year.

Forecast is based on current expectations and is subject to change without notice
Source: Intel

Platform* ASP

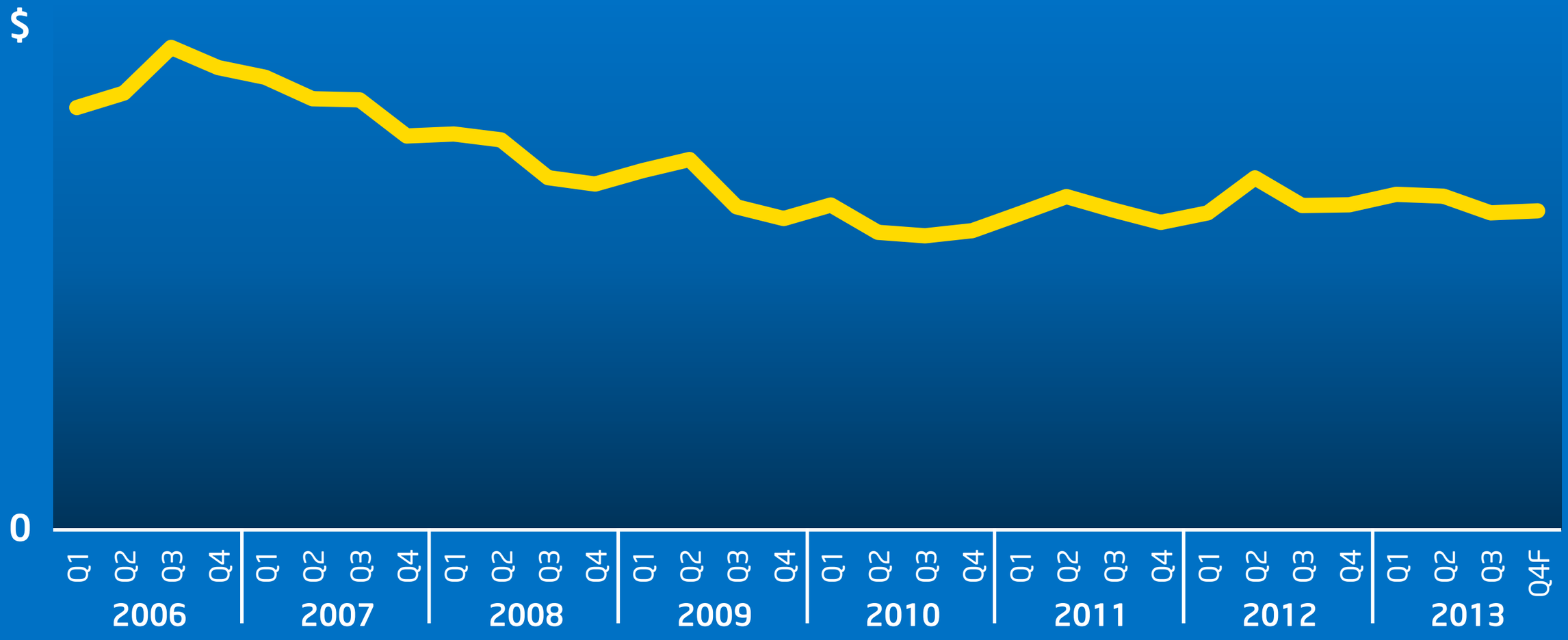


*Platform includes both CPU and chipset and excludes Atom

Forecast is based on current expectations and is subject to change without notice

Source: Intel

Platform* Cost

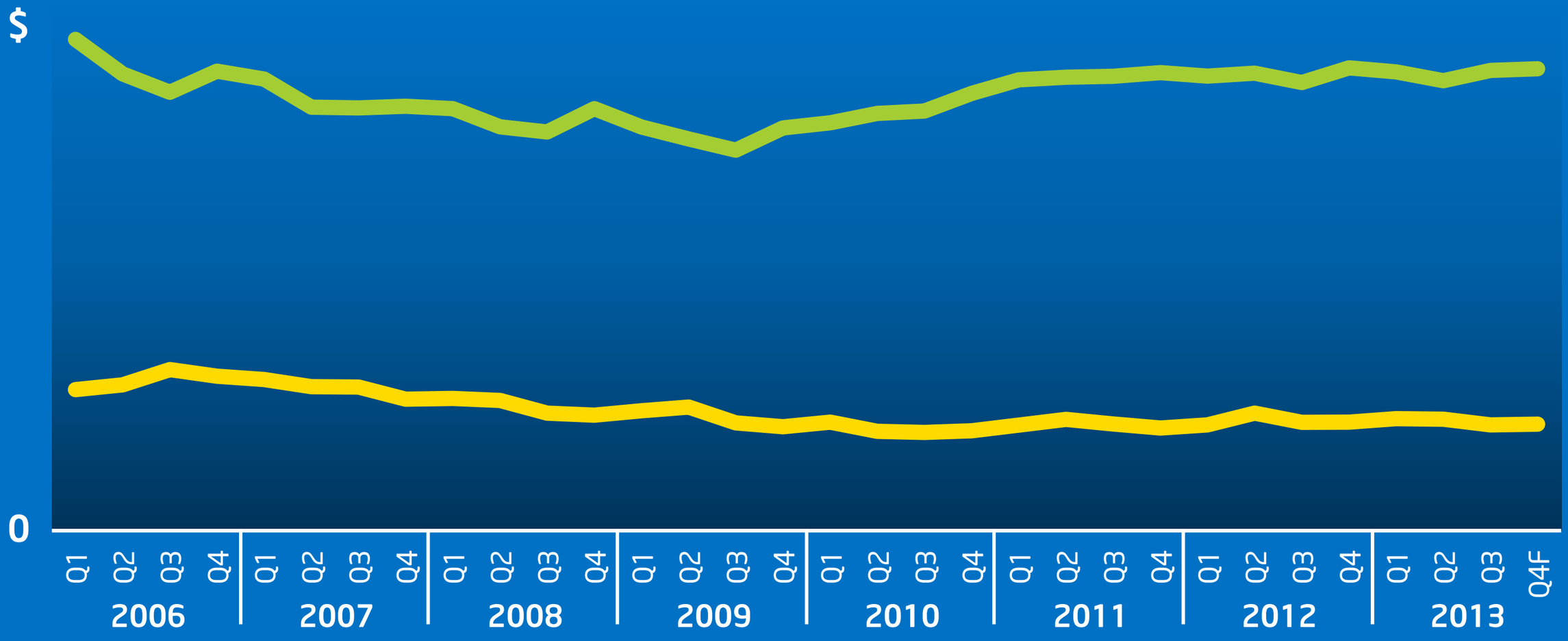


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Source: Intel

Platform* ASP and Cost



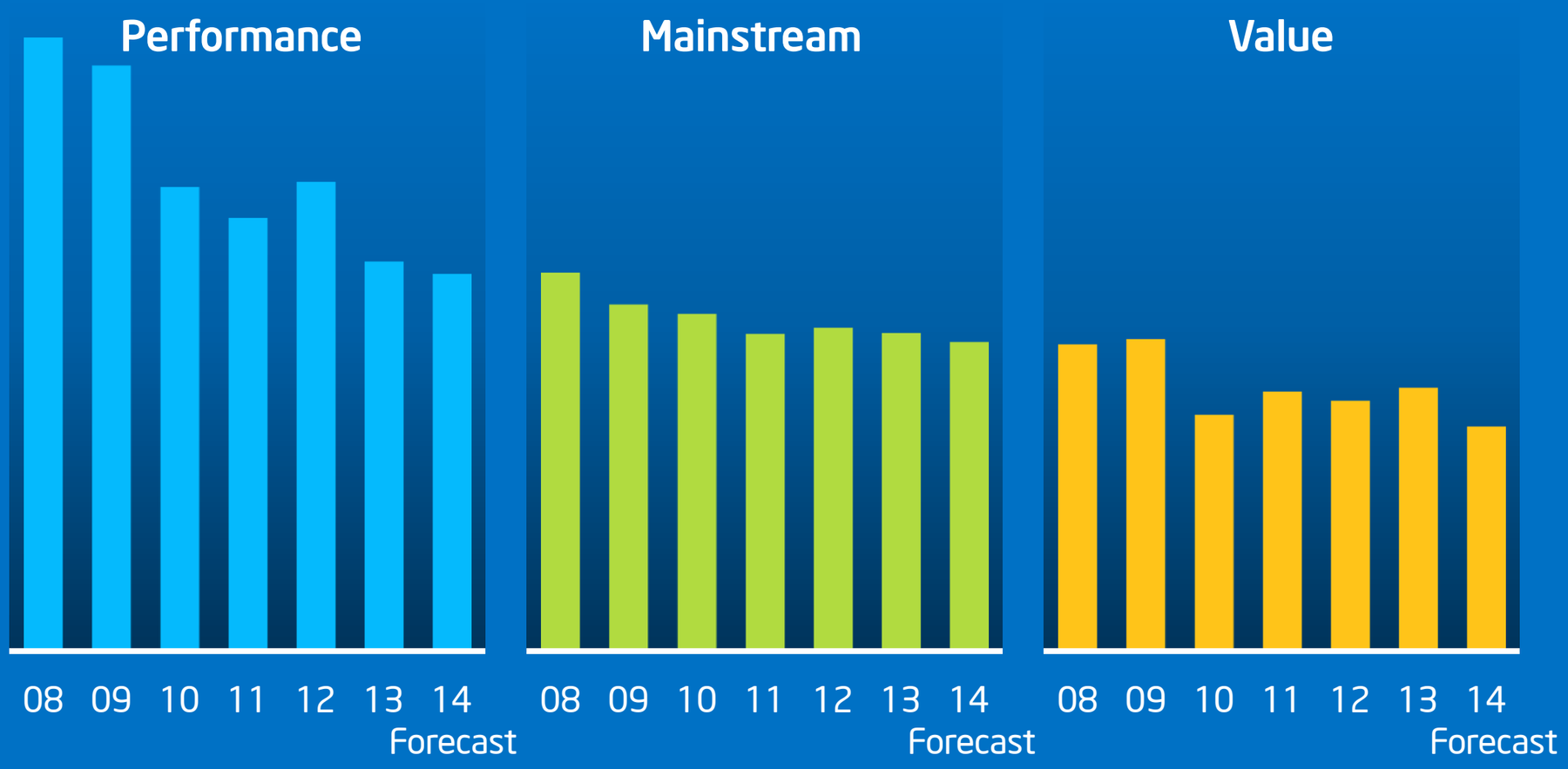
*Platform includes both CPU and chipset and excludes Atom

Forecast is based on current expectations and is subject to change without notice

Source: Intel

Segmented Costs to Compete Across Segments

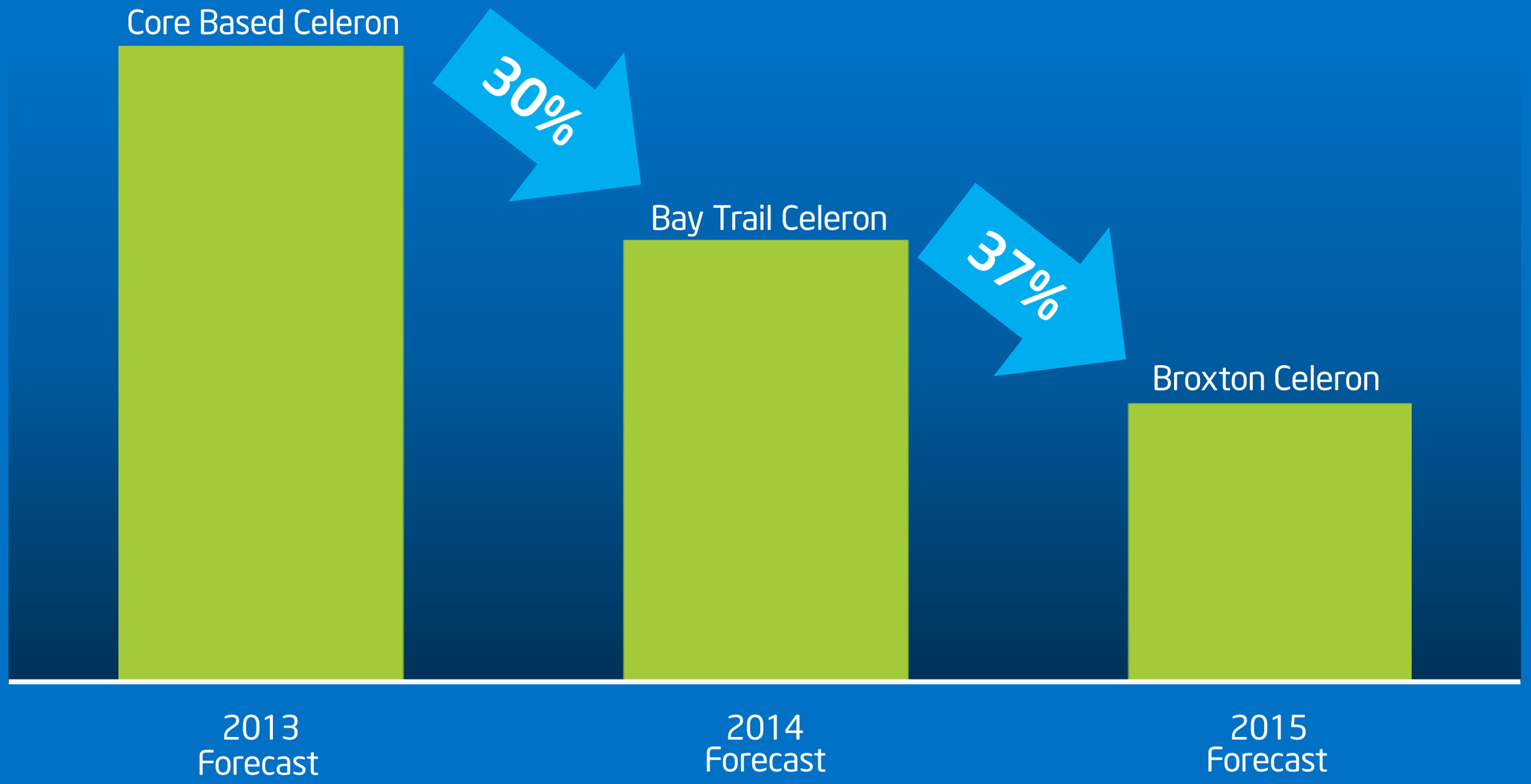
*Platform Costs**



* Platform includes both CPU and Chipset components
Forecast is based on current expectations and is subject to change without notice
Source: Intel

Extending the Cost Curve in Client

Lowest PC Client Platform Cost



Sources: Intel

Forecast is based on current expectations and is subject to change without notice

PC Client Group

Looking Forward to 2014



Revenue down mid-single digits

Operating profit ~flat

Sources: Intel
Forecast is based on current expectations and is subject to change without notice

PC Client Group



2013 Rev/OM
$32.7B / $11.6B

Other Intel Arch.



2013 Rev/OM
$4.0B / ($2.5B)

Data Center Group



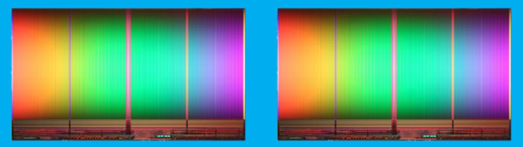
2013 Rev/OM
$11.5B / $5.3B

Software and Services Group

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2013 Rev/OM
$2.5B / Breakeven

All Other



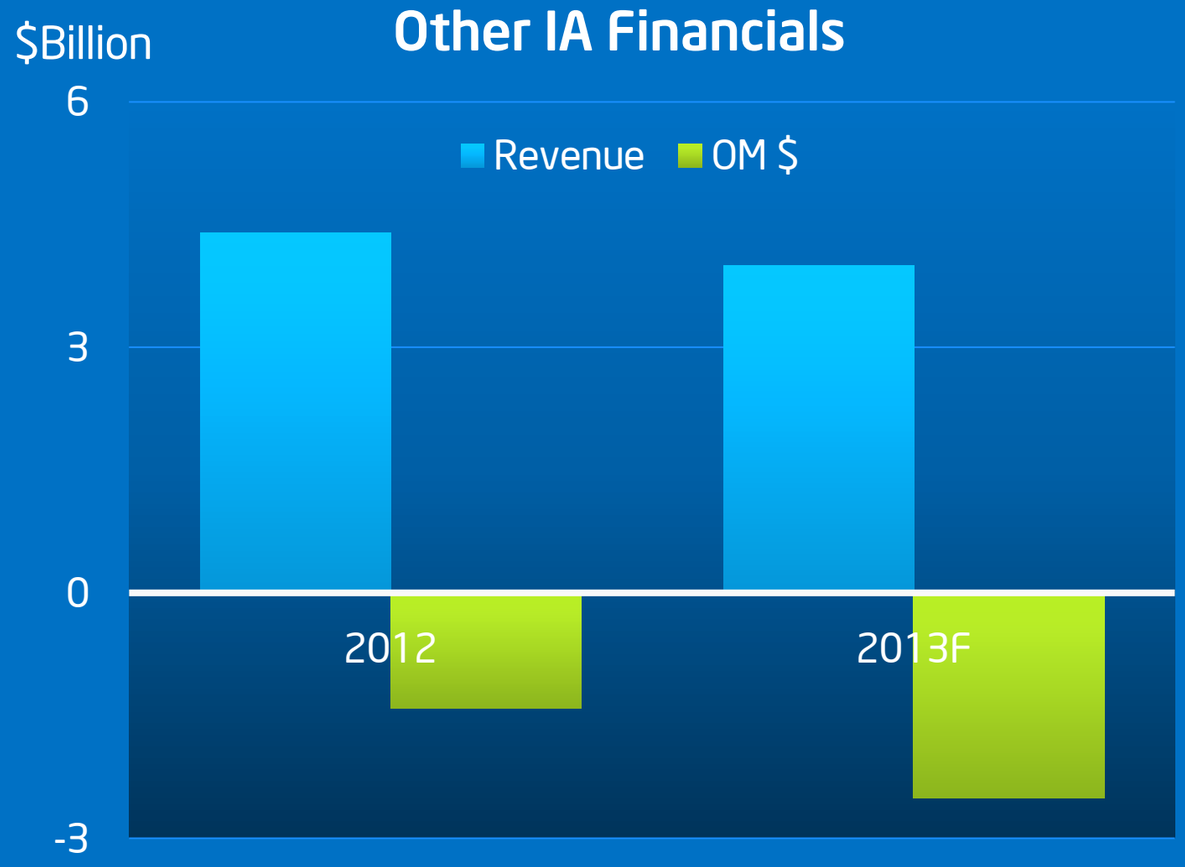
2013 Revenue
$1.9B



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Other Intel Architecture

2012 vs. 2013 Forecast



2013 Performance

~$4.0B of Revenue: down ~8% YoY

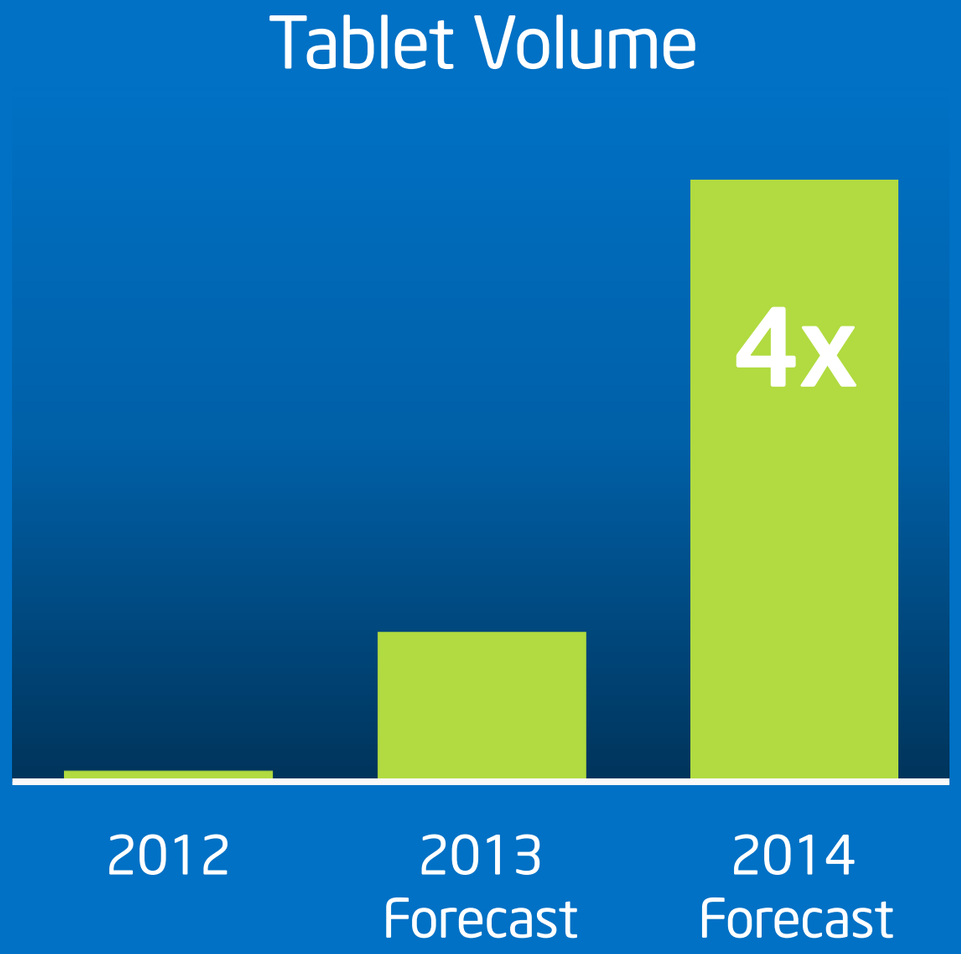
- Decline in Netbooks and Multi-comms partially offset by growth in Intelligent Systems.

~$2.5B Operating loss:

- Increased investments

*Forecast is based on current expectations and is subject to change without notice
Source: Intel

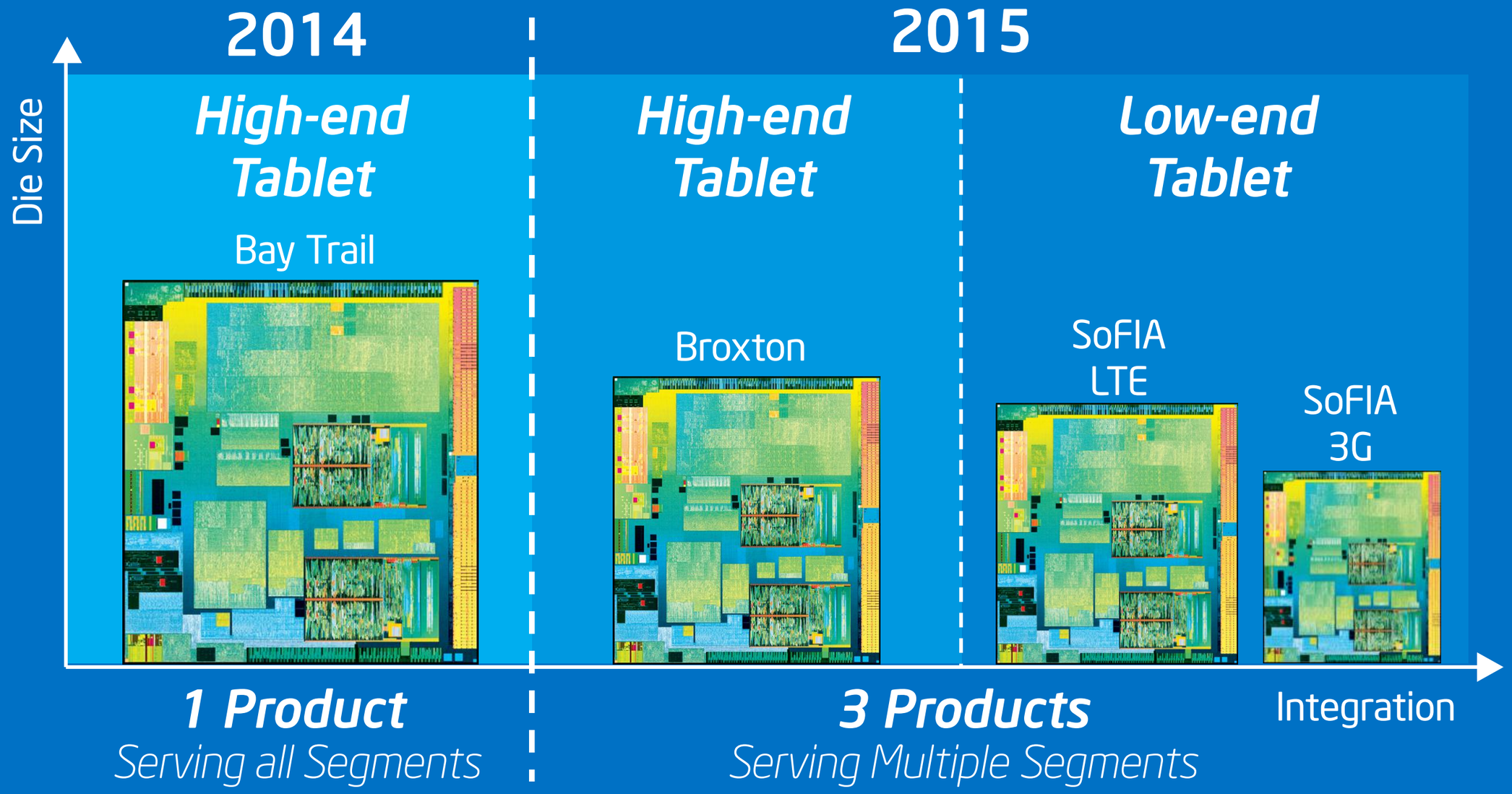
Other Intel Architecture
Tablets



- **Started shipping significant volume in 2H'13**
- **Expect to rapidly grow share in 2014**
 - Increased operating loss on higher NRE and contra revenue
 - Corporate gross margin impact of (1.5pts) in 2014

*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Tablet Segmentation

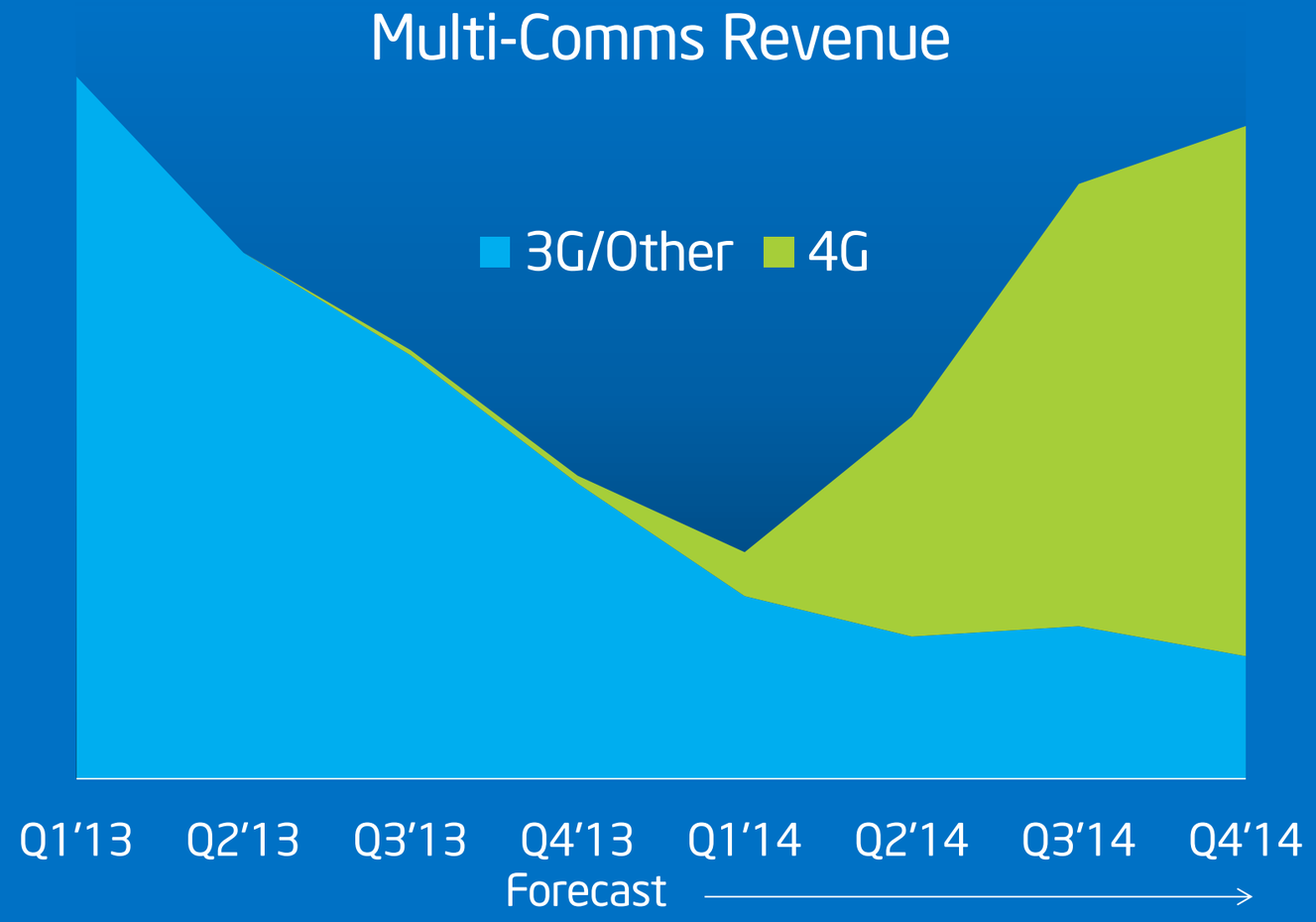


1 Product
Serving all Segments

3 Products
Serving Multiple Segments

*Forecast is based on current expectations and is subject to change without notice
Source: Intel Internal Roadmap

Other Intel Architecture
Multi-comms

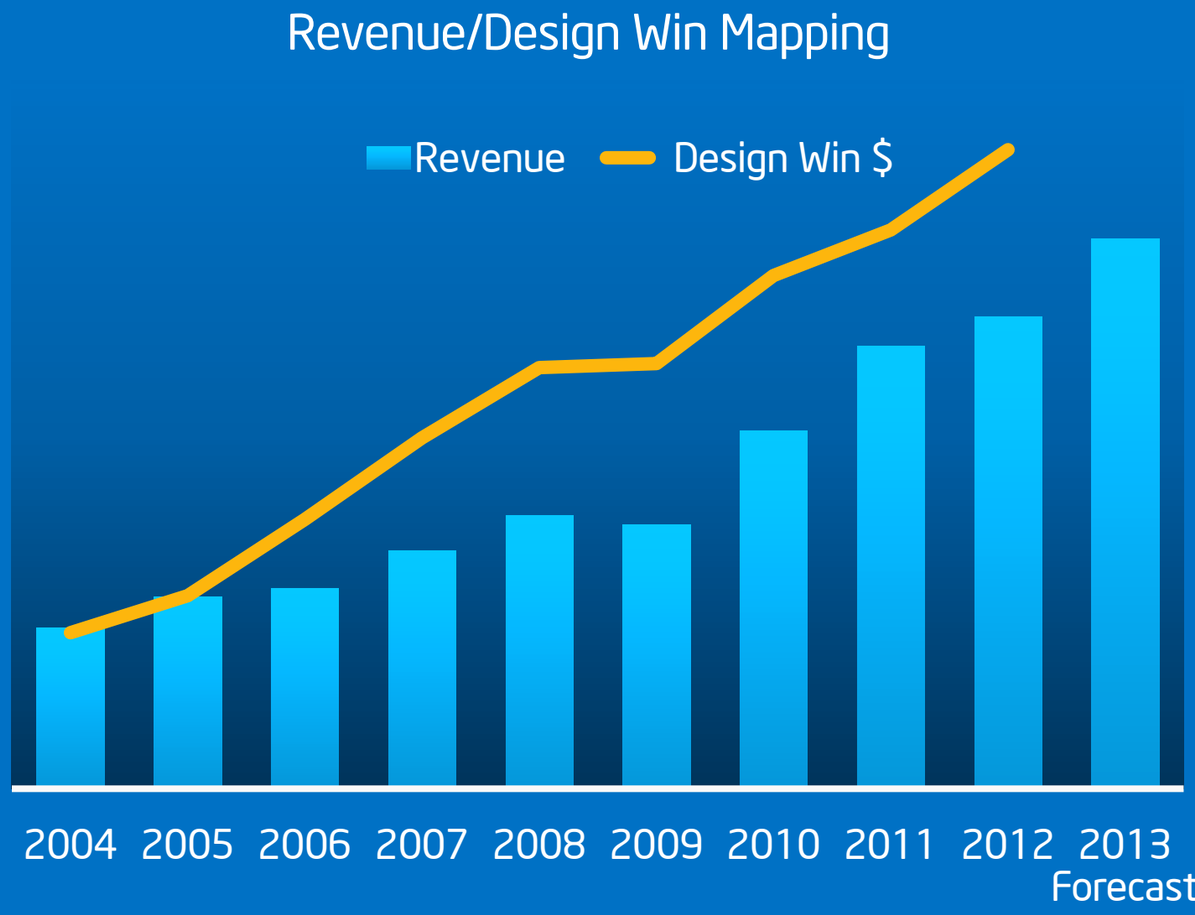


- Revenue down in '13 as the market shifted rapidly to 4G
- Shipping LTE voice and data now. Advanced LTE in 1H'14.
- Revenue down slightly in '14. Steep ramp of LTE in 2H.

*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Other Intel Architecture

Intelligent Systems Group

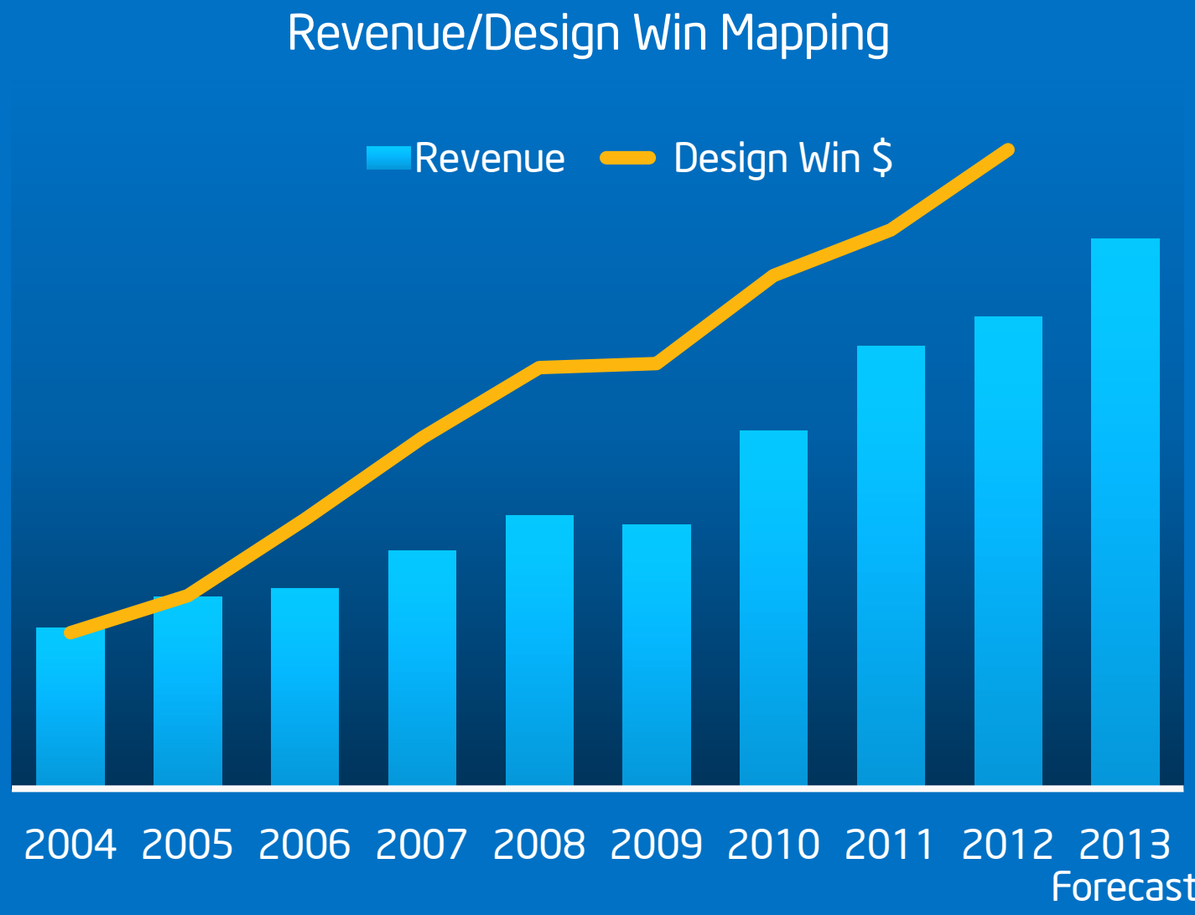


- Business accelerated in 2H'13 as a result of improving macro.
- Design win momentum continues across all segments.
- 2013 revenue > $2B. For '14, expect revenue growth in the mid-teens.

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Source: Intel

Other Intel Architecture

Intelligent Systems Group



- Business accelerated in 2H'13 as a result of improving macro.
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Source: Intel

Intelligent Systems + Wind River =

100% Share of Mars Autonomously Driven Car Market



*
Image Source: Nasa JPL

Other Intel Architecture

Looking forward to 2014

Other Intel Arch.



Revenue approximately flat

Wider operating loss

*Forecast is based on current expectations and is subject to change without notice
Source: Intel

PC Client Group



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2013 Rev/OM
$4.0B / ($2.5B)

Data Center Group



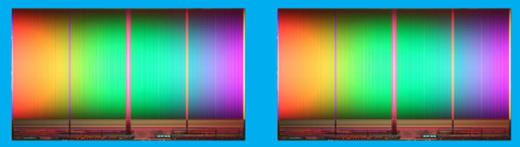
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$11.5B / $5.3B

Software and Services Group

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2013 Rev/OM
$2.5B / Breakeven

All Other

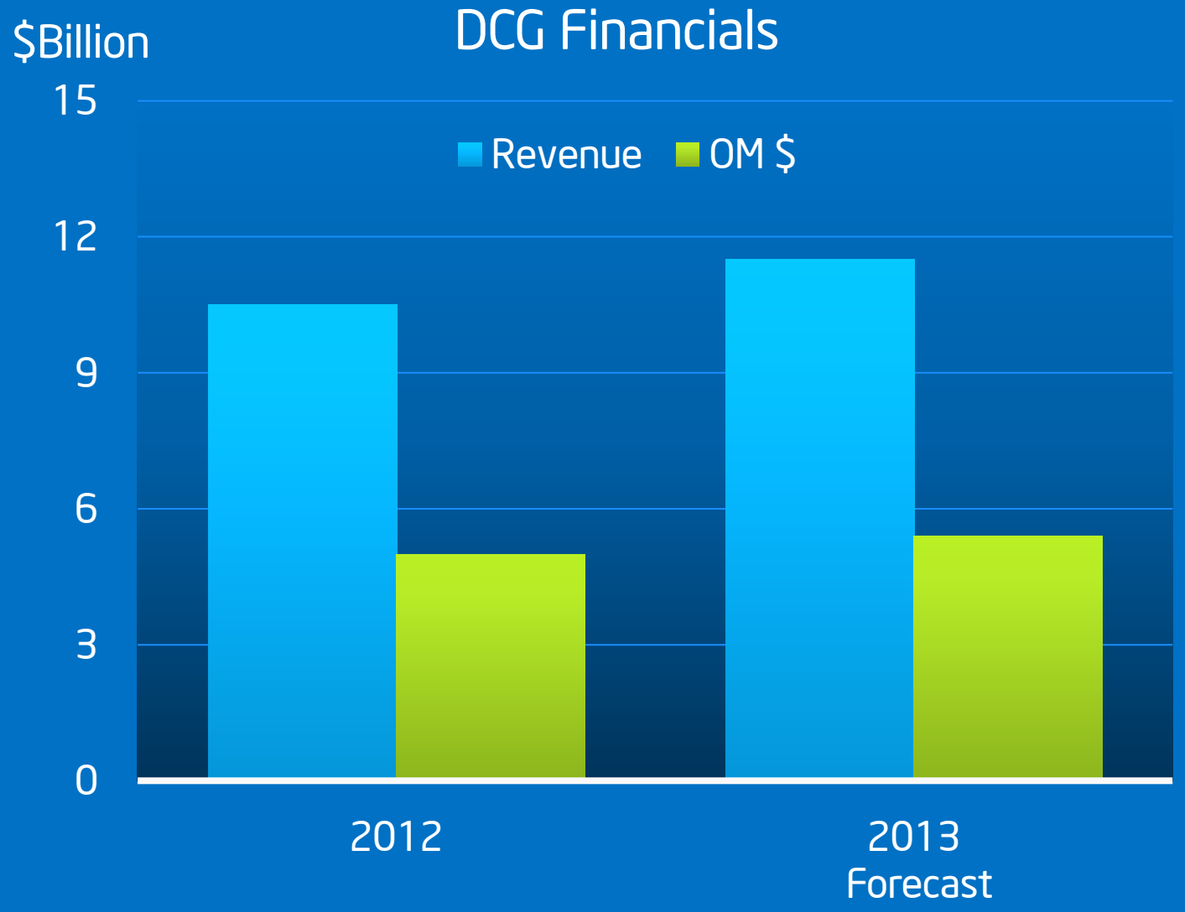


2013 Revenue
$1.9B



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Data Center Group
2012 vs. 2013 Forecast



2013 Performance

~$11.5B of Revenue: up ~9% YoY

- Benefitted from both unit growth and a richer mix

~$5.3B of Operating income: 47% of revenue

*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Comparing Intel® Xeon® and Atom™ based Servers

At similar performance

4 Intel® Xeon® 2 Socket Nodes



~

20 Intel® Atom™ Microservers



Comparable Revenue and Profit

*Forecast is based on current expectations and is subject to change without notice
Other names and brands may be claimed as the property of others.
Source: Intel

Data Center Group
Looking Forward

Data Center Group



2014
- Low to mid-teen revenue growth
- Operating profit grows faster than revenue

Longer term growth CAGR of 15%
- Services and devices driving cloud growth
- Rapid growth in high performance computing
- Expanding our footprint in networking, storage, fabric and memory

*Forecast is based on current expectations and is subject to change without notice
Source: Intel

PC Client Group



2013 Rev/OM
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2013 Rev/OM
$4.0B / ($2.5B)

Data Center Group



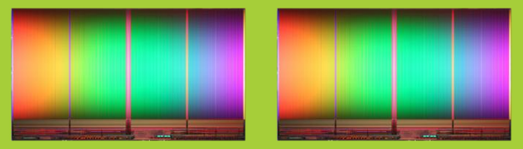
2013 Rev/OM
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Software and Services Group

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2013 Rev/OM
$2.5B / Breakeven

All Other



2013 Revenue
$1.9B



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

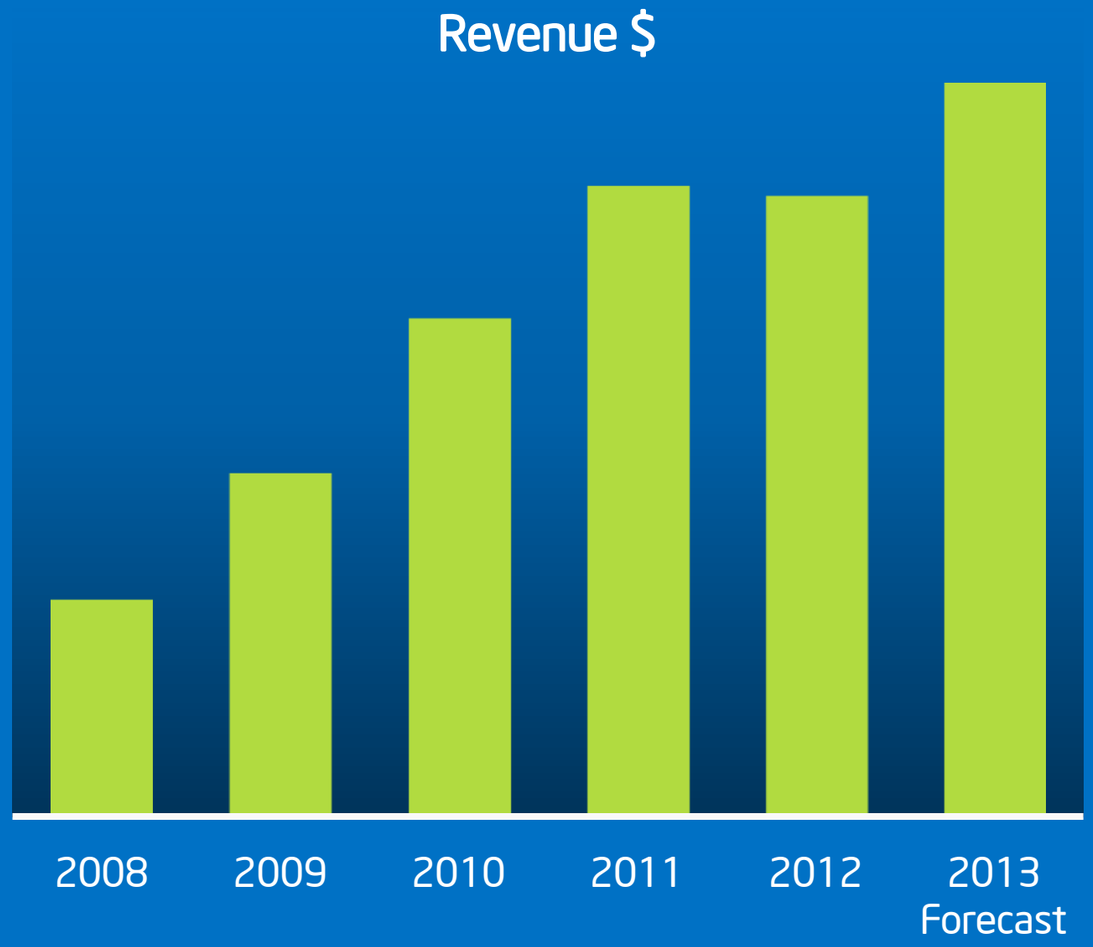
Software and Services Group



- **2013: ~$2.5B in revenue /~breakeven**
 - McAfee: Winning share and performing well in a down PC market.
 - Wind River: Key differentiator to win in IoT.
- **2014: Expect low double digit revenue growth/move from breakeven to profit**

*Forecast is based on current expectations and is subject to change without notice
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Source: Intel

Non-Volatile Memory Solutions Group





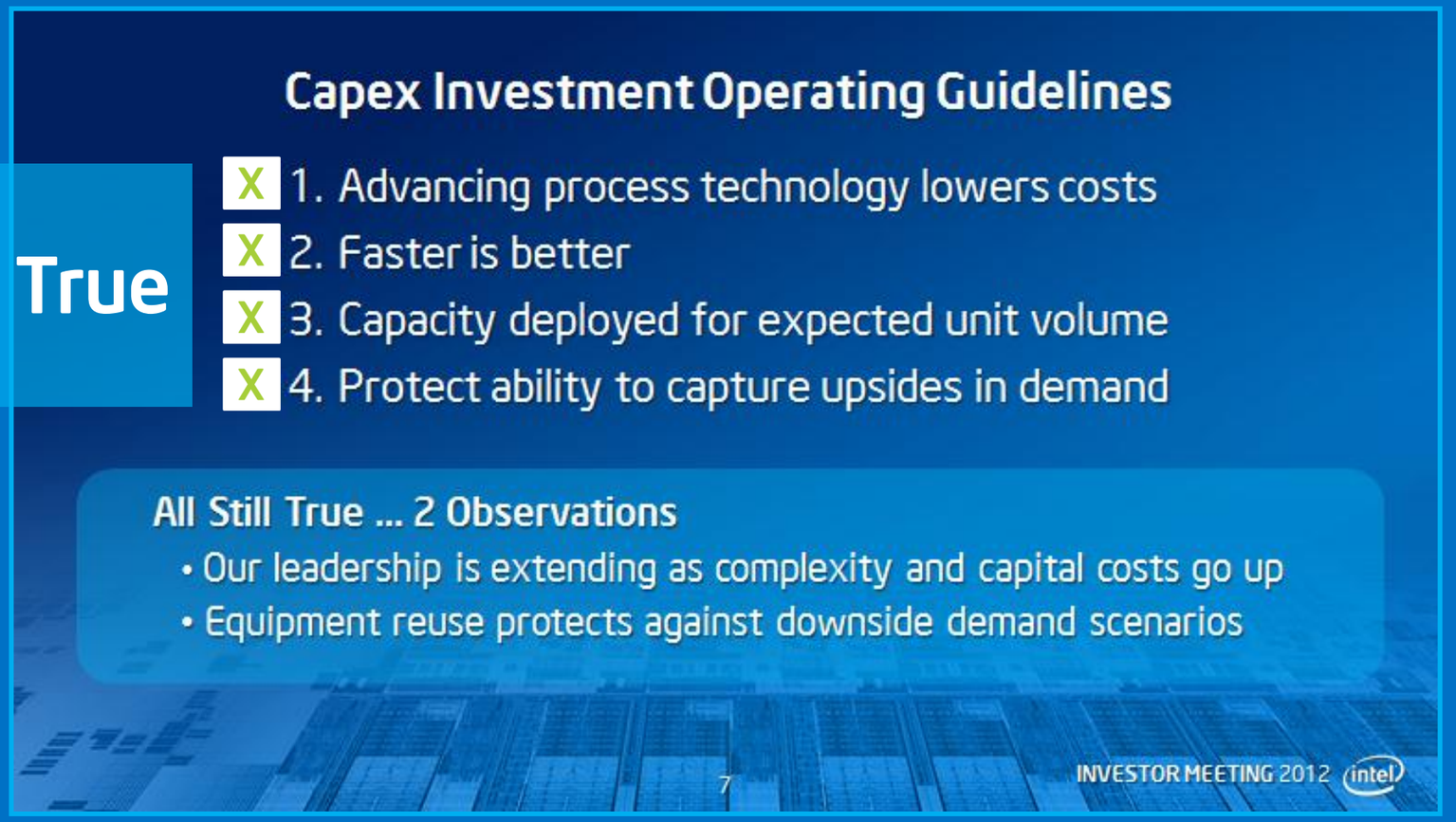
*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Segments of our Business

Our Core Financial Advantage

Cash and Shareholder Return

From Last Year



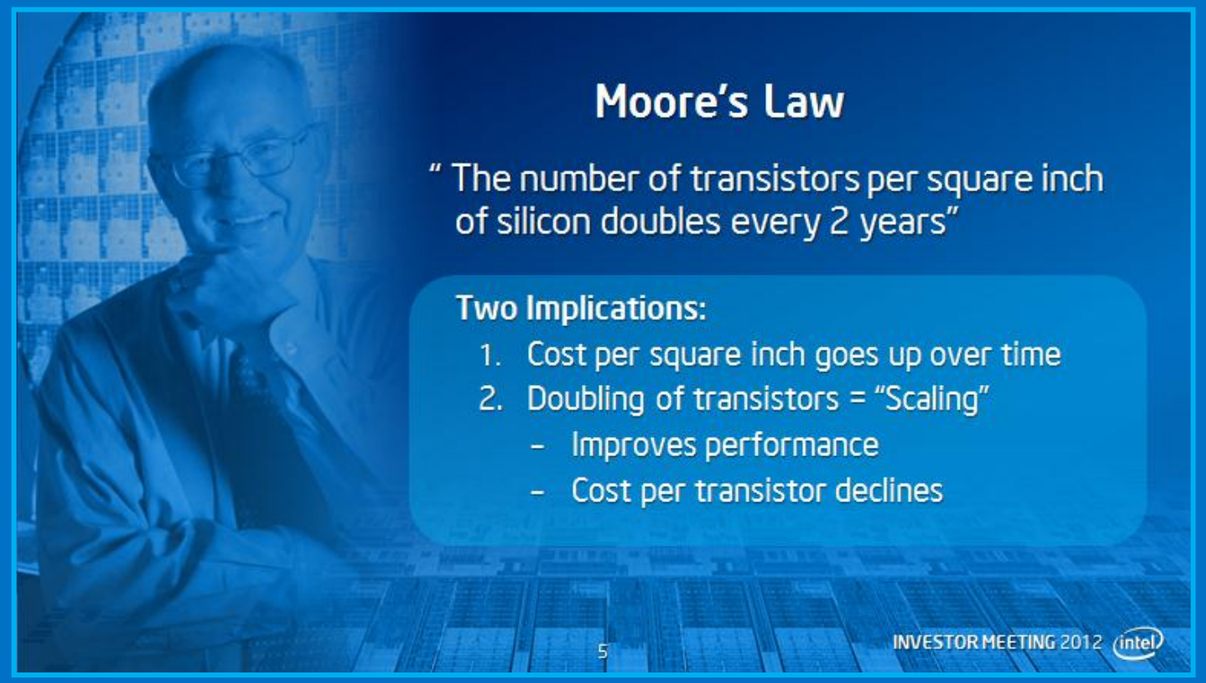
Still True

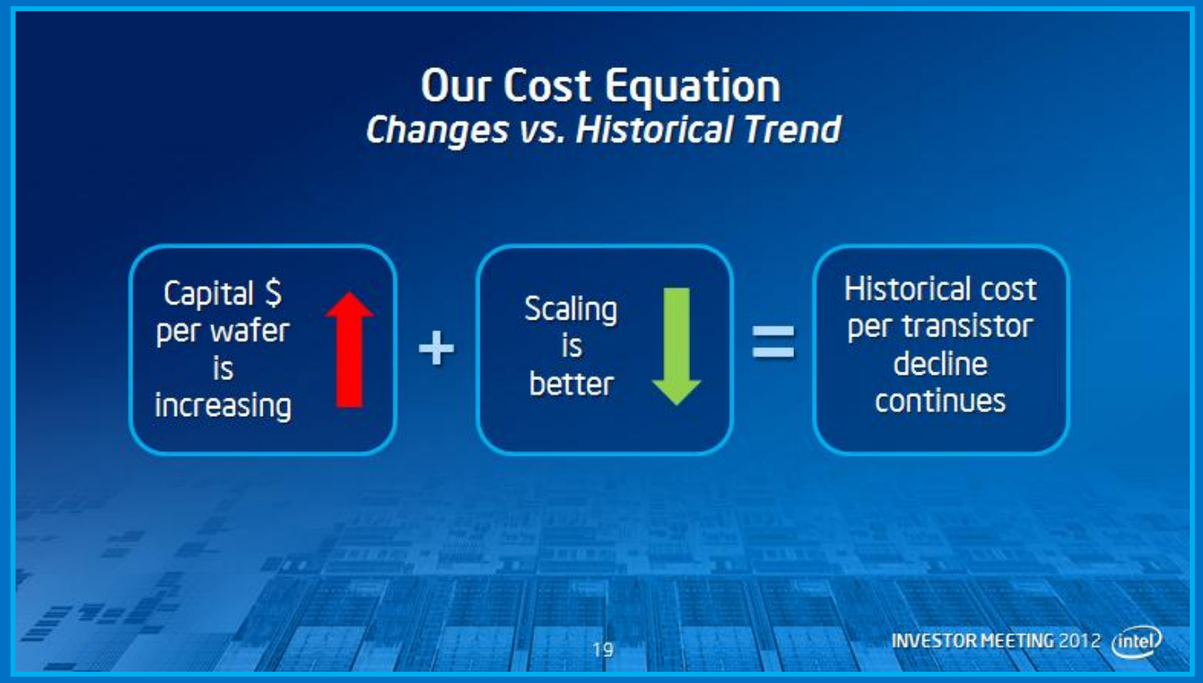
An Additional Observation

- The increase in capital intensity will not result in an increase in our unit costs or lower our gross margin

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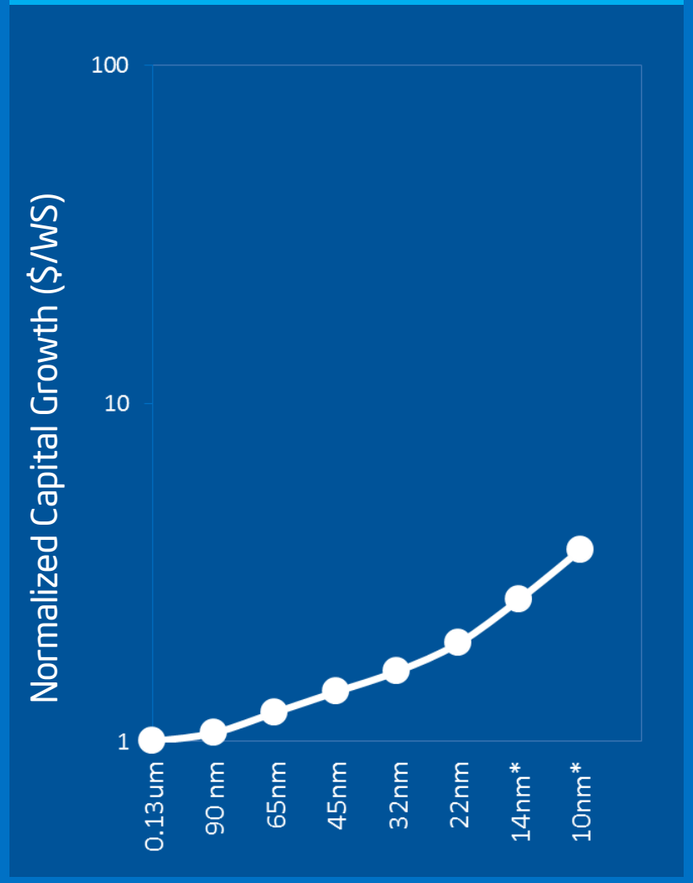
From Last Year





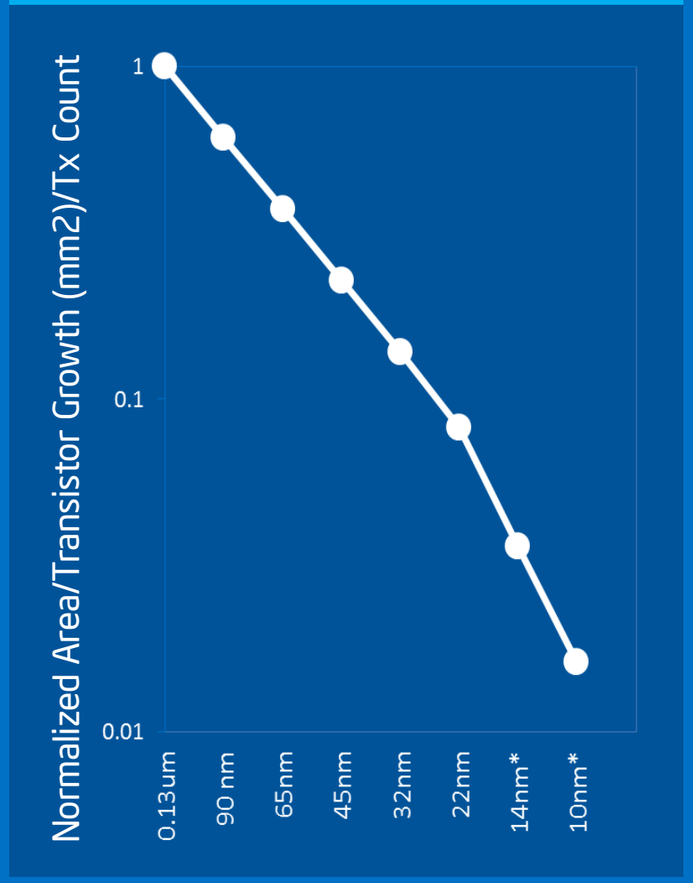
Density Improvements Offset Wafer Cost Trends

$/mm²



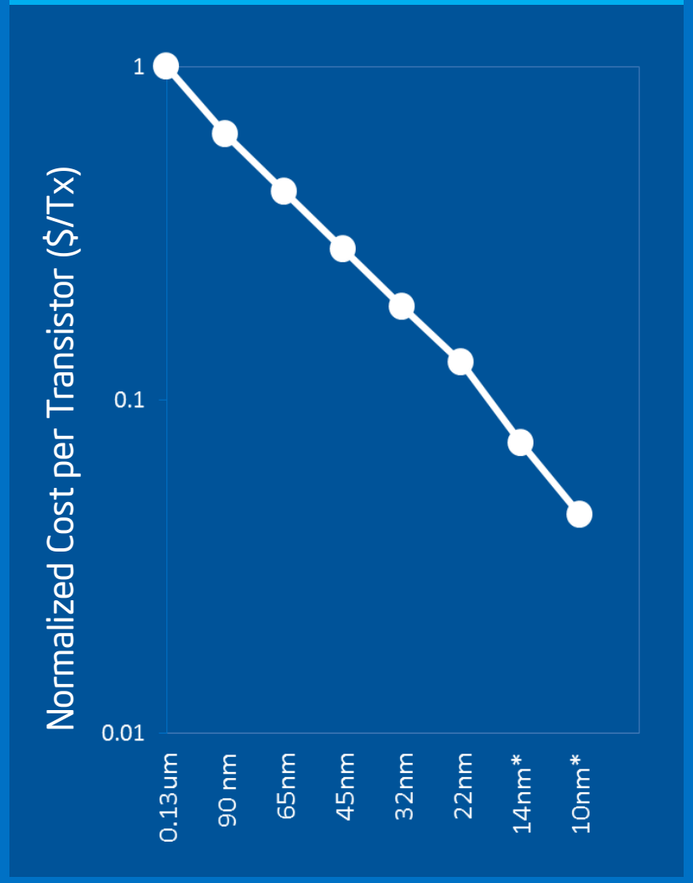
X

mm²/transistor



=

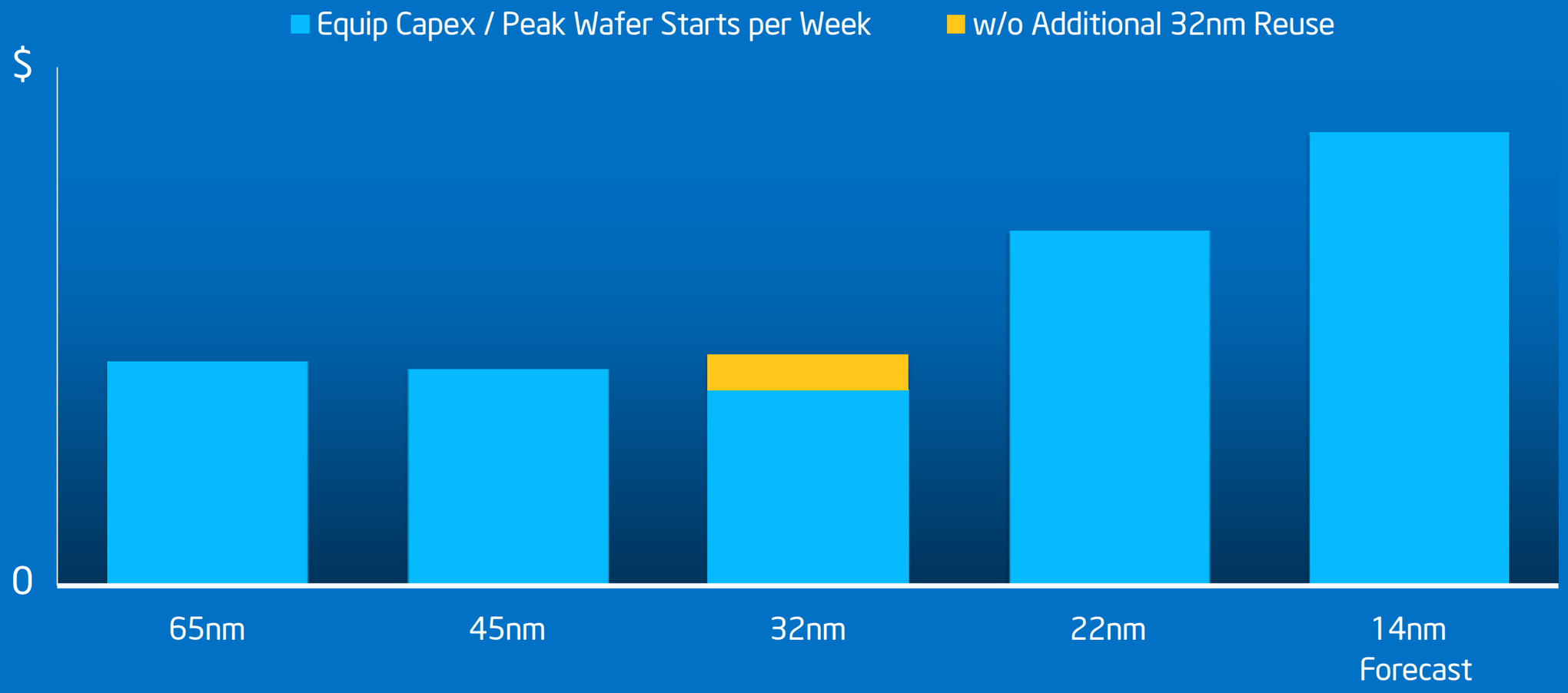
$/transistor



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Capital Intensity Is Increasing

Capital Spending per Wafer Start Will be Higher



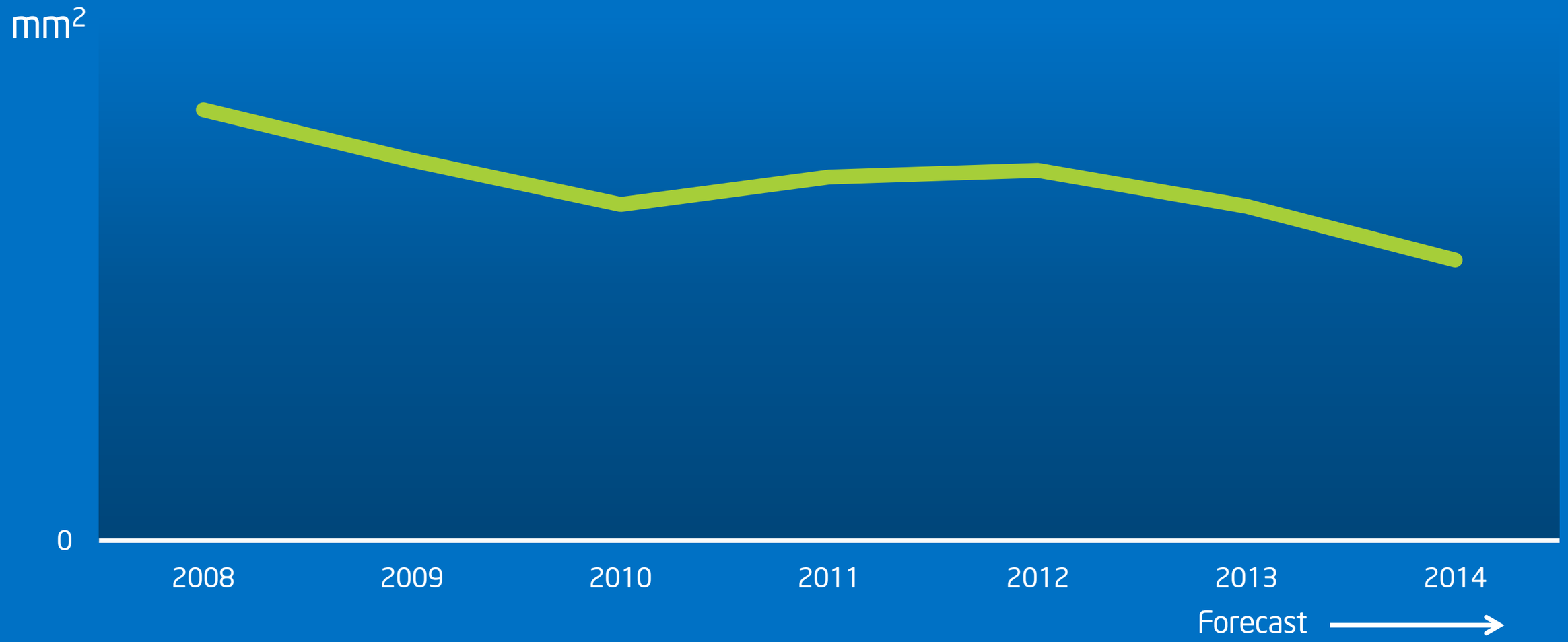
*Forecast is based on current expectations and is subject to change without notice
Source: Intel

So hold on there Tex …

While we believe Bill, how can this not result in an increasing cost per unit?

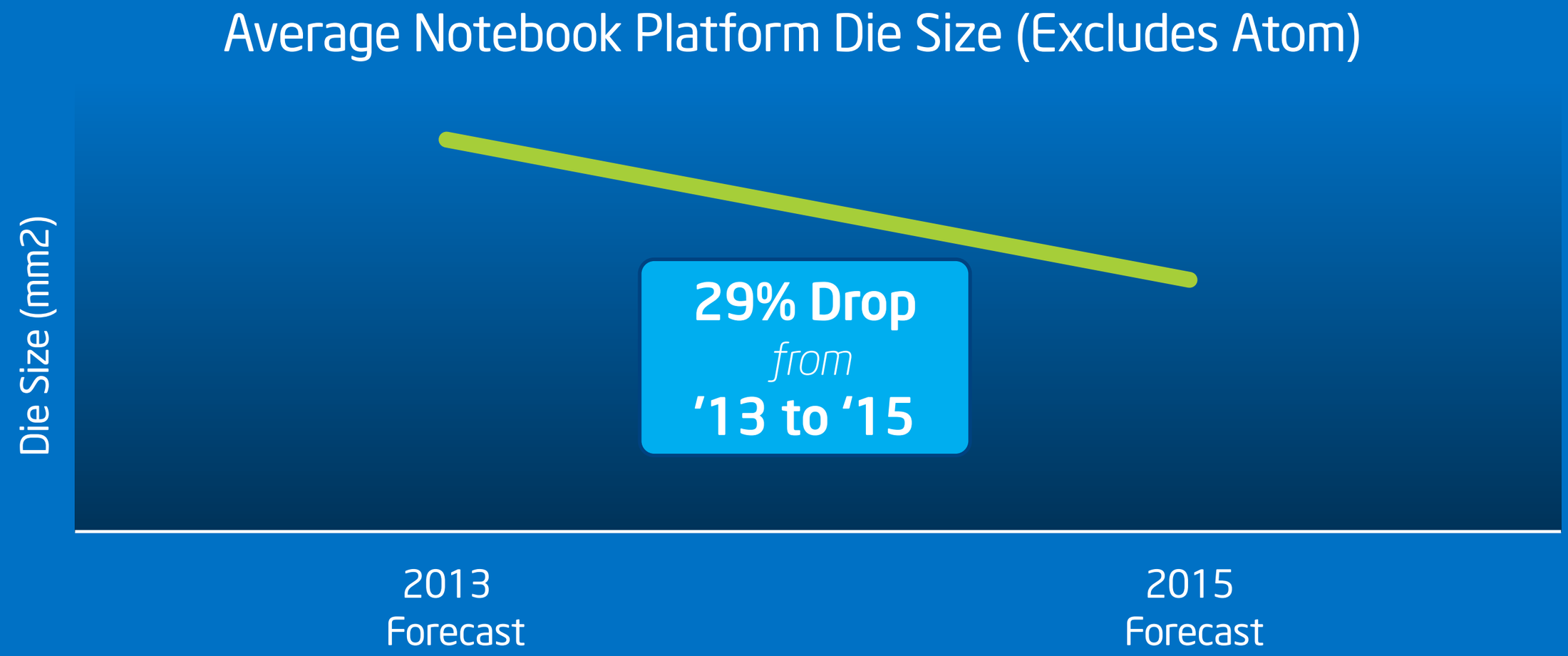
Weighted Average Die Size

*Platform**



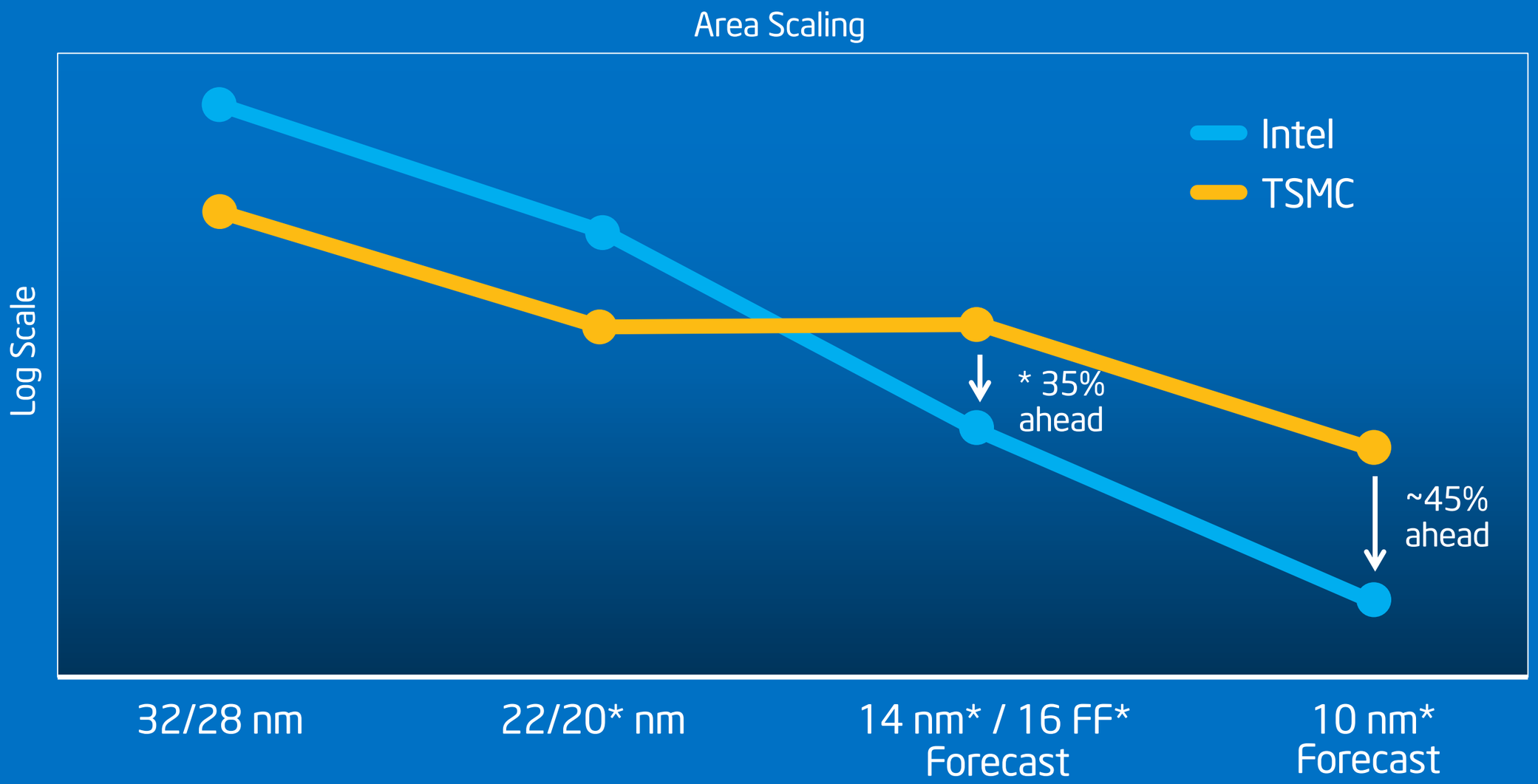
Forecast is based on current expectations and is subject to change without notice
Sources: Intel
*Platform includes CPU and chipset

WADS Decline Not Just Mix



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Scaling (Density) Improving

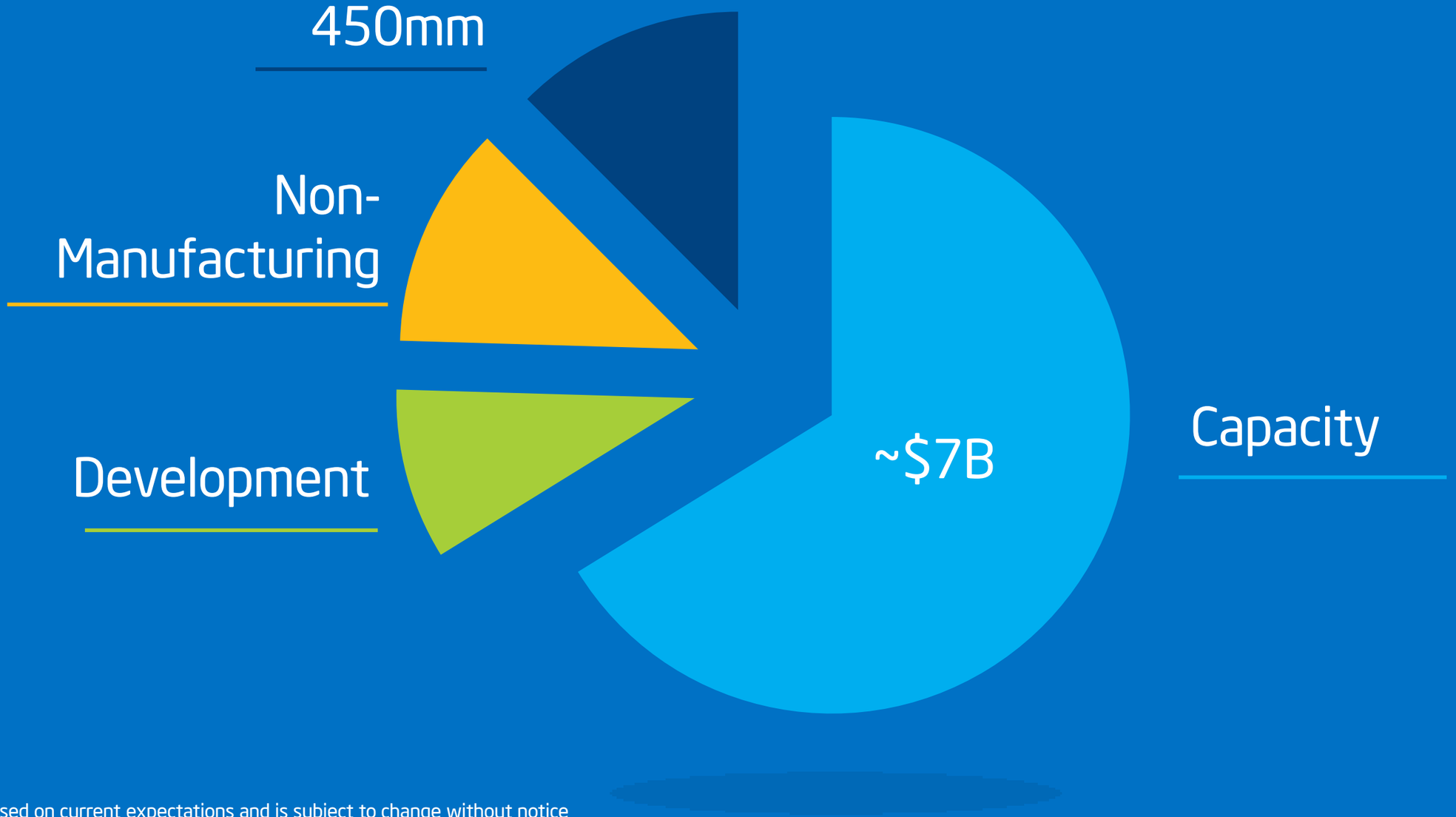


Sources: TSMC keynote, ARM Tech Con 2012, Oct. 30, 2012. Intel data
*Alignment based on internal assessment
Forecast is based on current expectations and is subject to change without notice

But hold on there Tex …

At ~$11B of capex you must be putting in a lot of unit capacity?

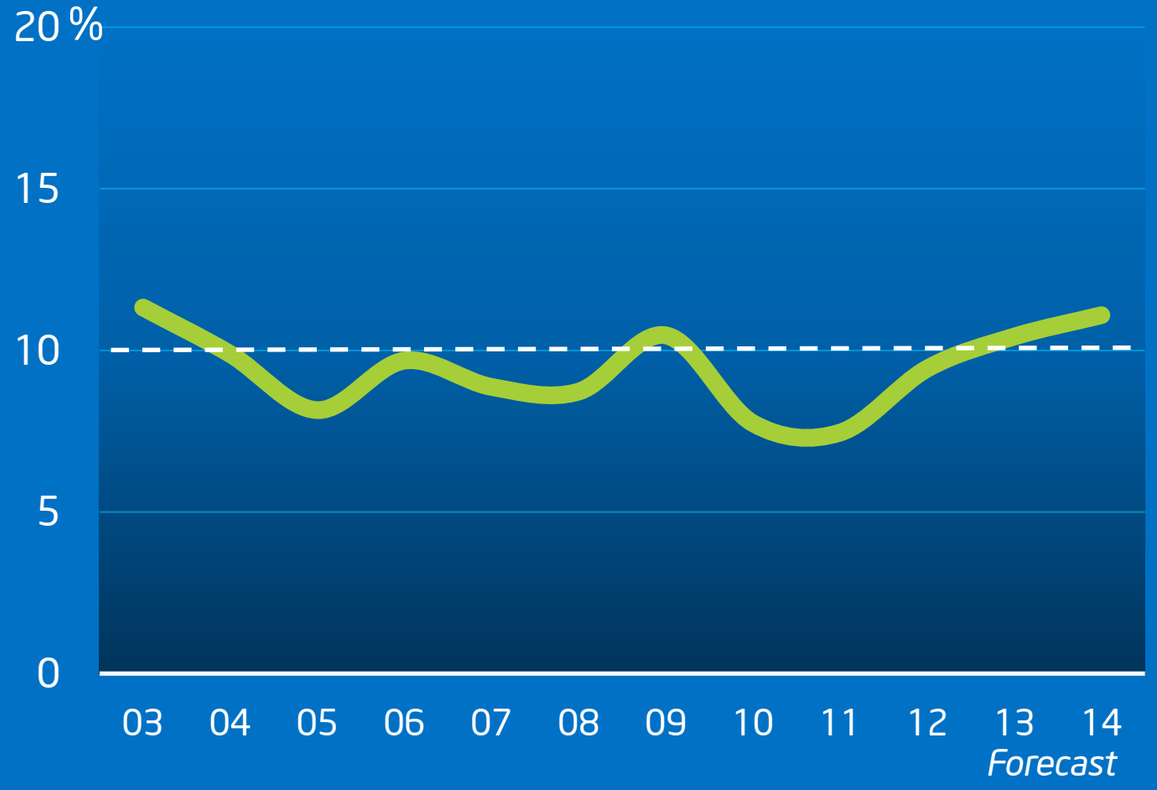
2013 Capex Breakout



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Depreciation Trends

COS Depreciation as a % of Revenues

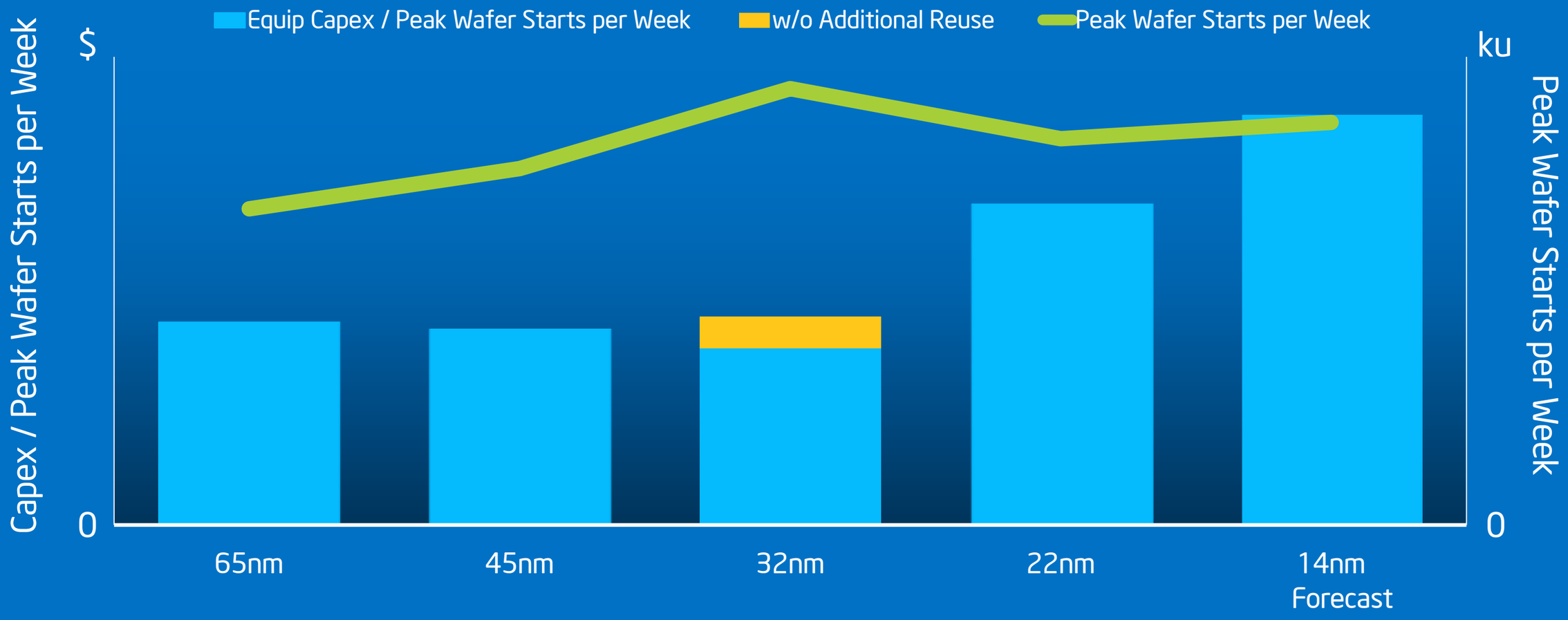


COS Depreciation as a % of Total Cost of Sales



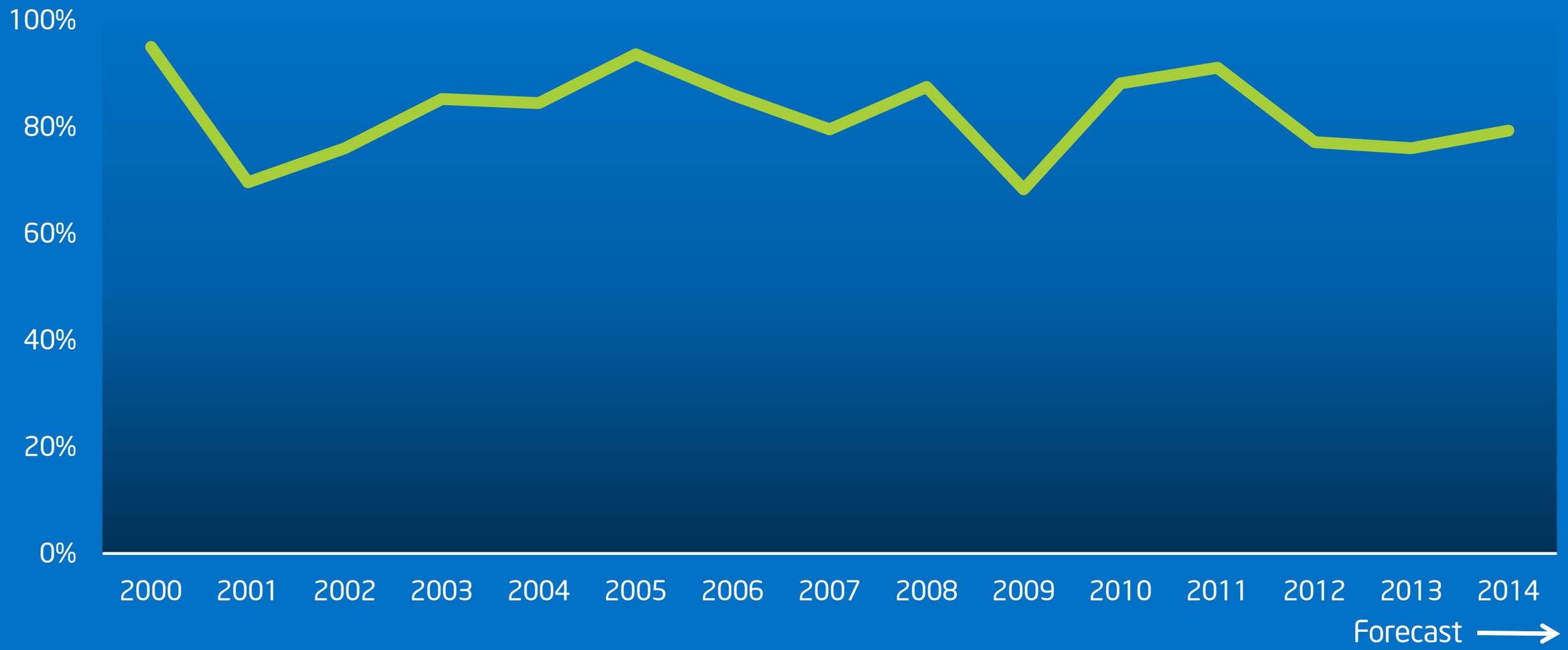
Sources: Intel
Forecast is based on current expectations and is subject to change without notice

Not Growing Wafer Capacity



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Factory Utilization Over Time



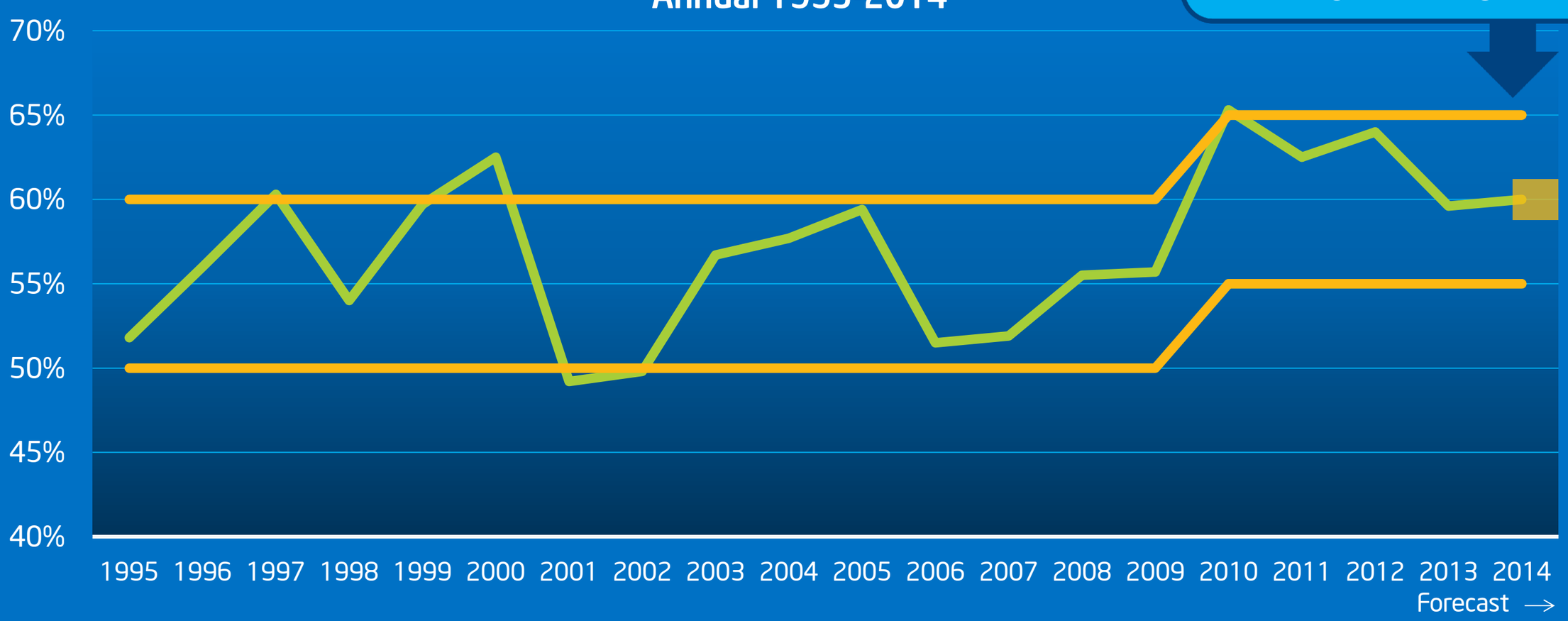
*Forecast is based on current expectations and is subject to change without notice
Source: Intel

OK Tex, enough beating around the bush …

Why won’t you just tell me gross margin?

Gross Margins

2014
Gross Margin at midpoint of long term range



*The 2013 forecast is based on Q1-Q3'13 actuals plus the midpoint of the Q4'13 forecast.
Forecast range is based on current expectations and is subject to change without notice
Source: Intel

Segments of our Business

Our Core Financial Advantage

Cash and Shareholder Return

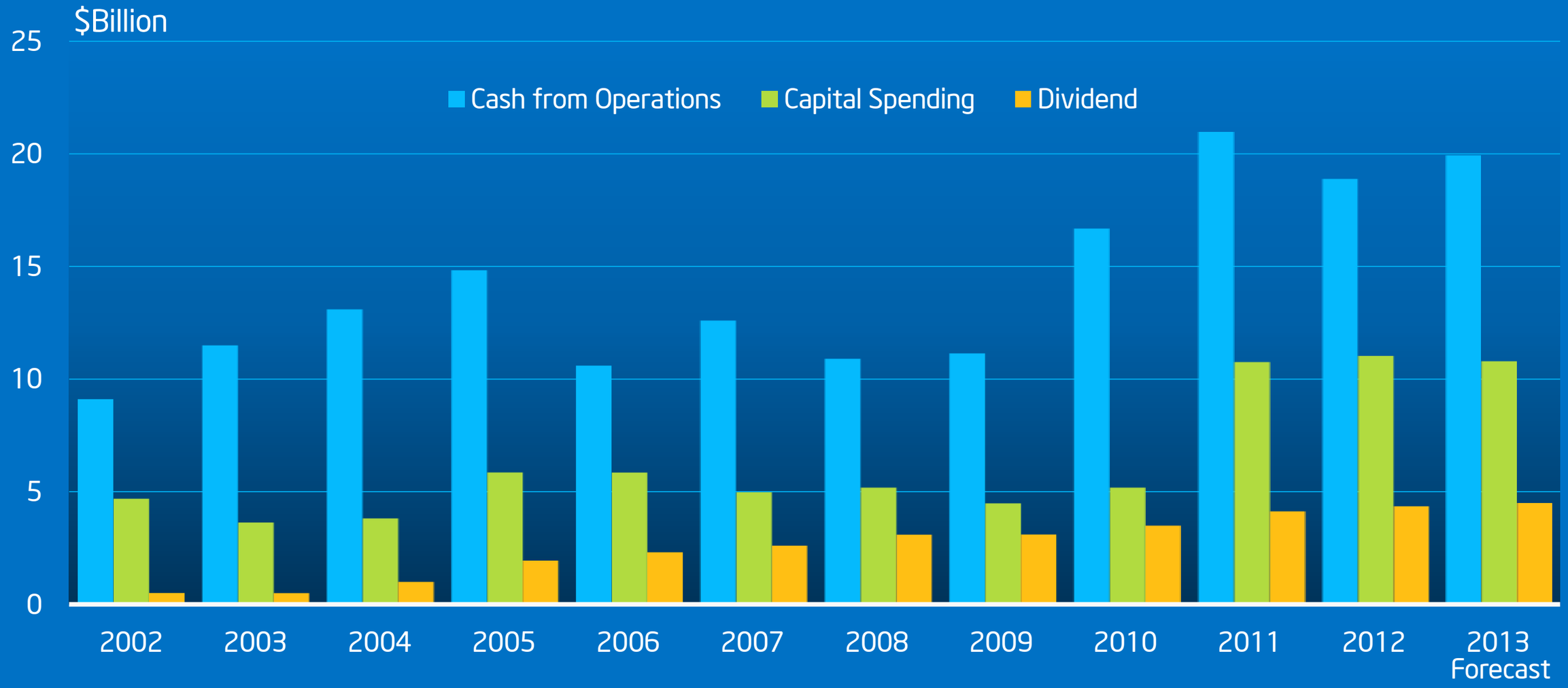
Capital Allocation Philosophy

1. **Invest in our business**

2. **Generate returns for shareholders via an increasing dividend**
 - Target allocation for the dividend is ~40% of free cash flow

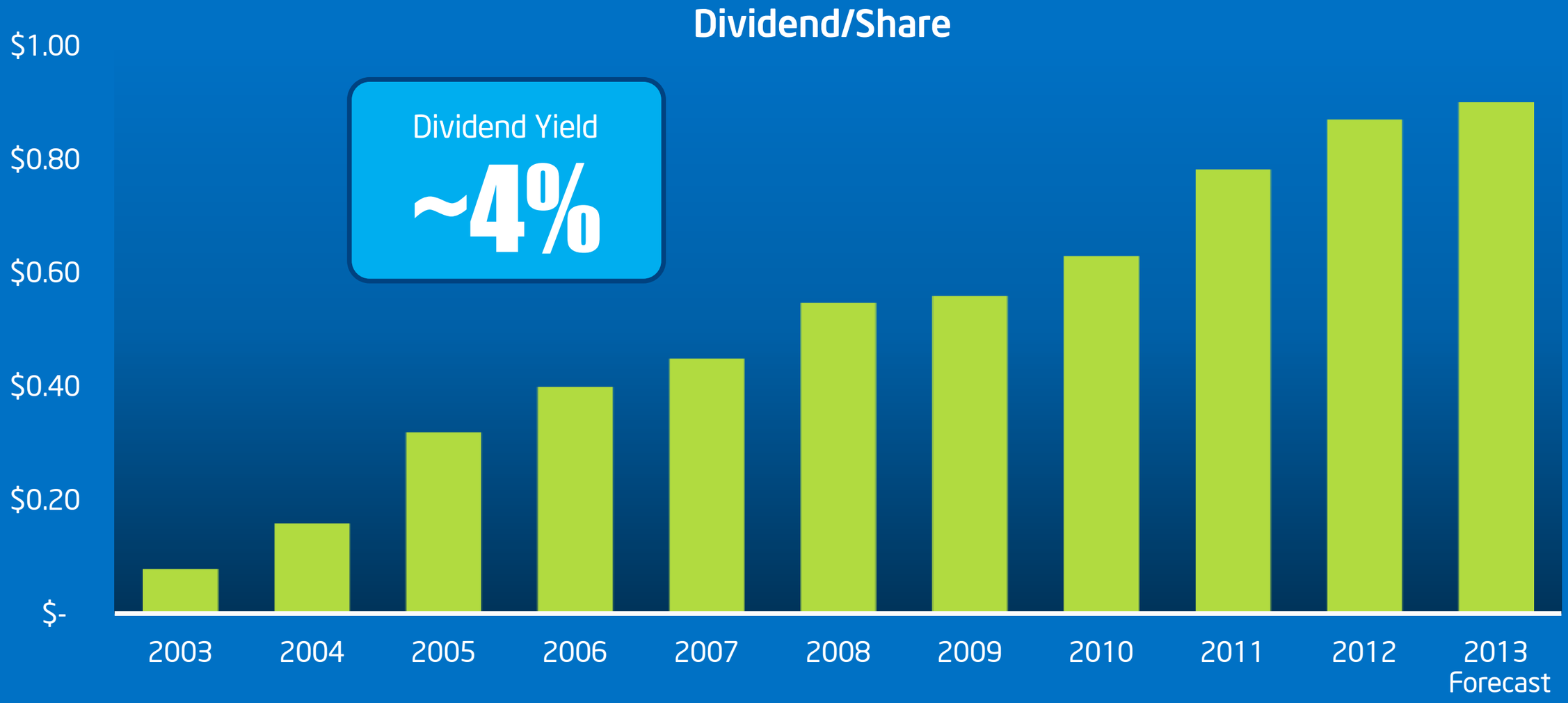
3. **Use share purchases as an additional way to return cash to shareholders**

Strong Cash Generation



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Committed to the Dividend



*Forecast is based on current expectations and is subject to change without notice
Source: Intel

Putting It All Together

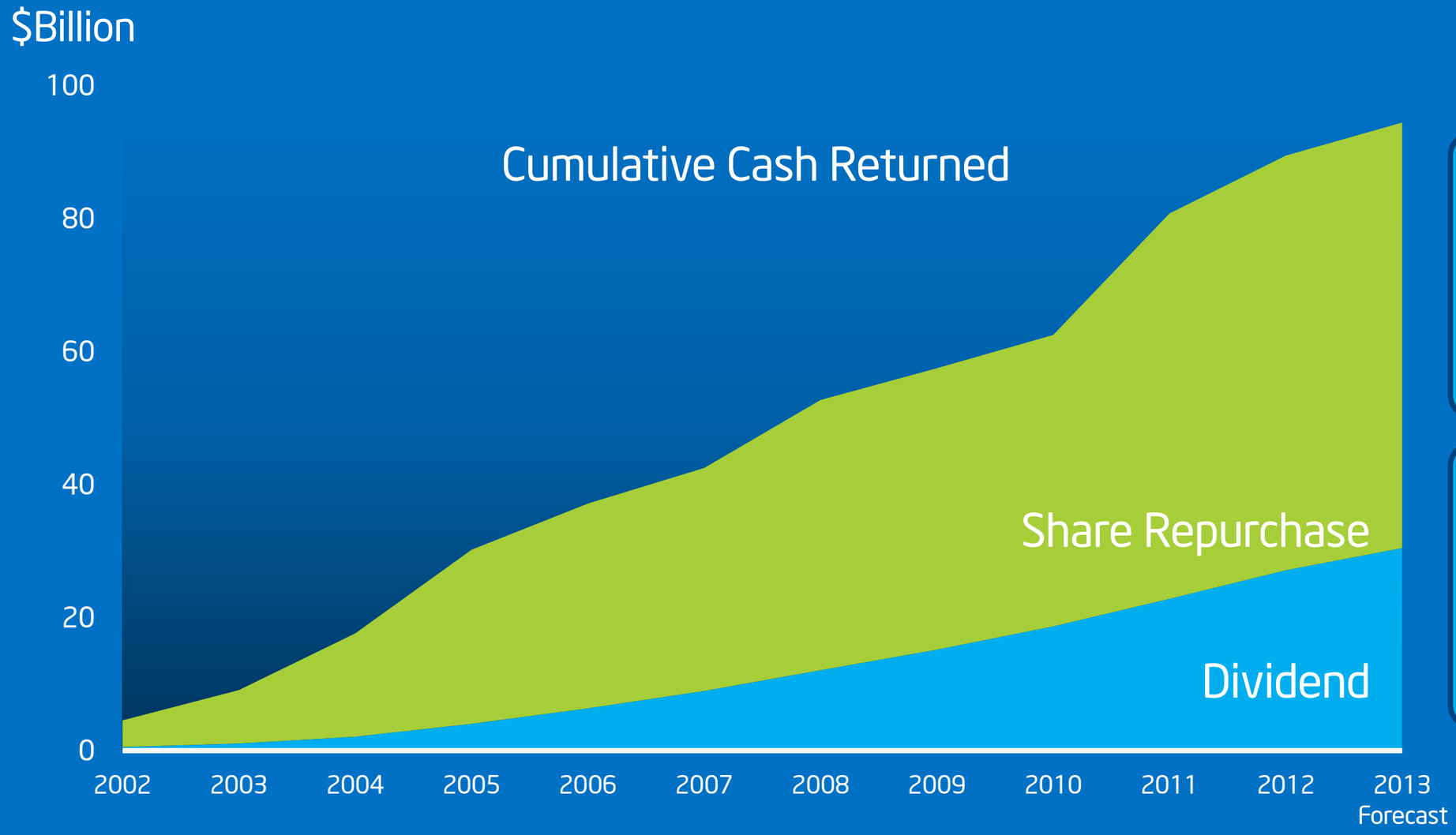
Expectations for 2014

- Revenue approximately flat
- GM approximately flat at the middle of our long term range
- Spending as a % of revenue ~flat*
- Operating income ~flat



Forecast is based on current expectations and is subject to change without notice
*Excludes restructuring charges. .

Returning Cash to Shareholders



Dividend Yield

~4%

Returned Over the Past Decade*

~$85B

Source: Intel

*Forecast based on Q1-Q3 actuals and Q4 dividend consistent with Q3.

Key Messages

Repositioning the company to sell into broad range of devices

- If it computes, it does it BEST with Intel

The explosion of devices, services and data are driving the growth of our data center business

Process technology leadership = Economic benefits (i.e. lower cost, foundry opportunity)

Expectations for the longer term

- Client unit and revenue growth
- Data center business equals robust growth
- Manufacturing leadership equates to leadership products, lower costs and foundry opportunity
- Spending as a % of revenue comes down

Forecast is based on current expectations and is subject to change without notice.

Q&A

Risk Factors

The above statements and any others in this document that refer to plans and expectations for the fourth quarter, the year and the future are forward-looking statements that involve a number of risks and uncertainties. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” “should” and their variations identify forward-looking statements. Statements that refer to or are based on projections, uncertain events or assumptions also identify forward-looking statements. Many factors could affect Intel’s actual results, and variances from Intel’s current expectations regarding such factors could cause actual results to differ materially from those expressed in these forward-looking statements. Intel presently considers the following to be the important factors that could cause actual results to differ materially from the company’s expectations. Demand could be different from Intel’s expectations due to factors including changes in business and economic conditions; customer acceptance of Intel’s and competitors’ products; supply constraints and other disruptions affecting customers; changes in customer order patterns including order cancellations; and changes in the level of inventory at customers. Uncertainty in global economic and financial conditions poses a risk that consumers and businesses may defer purchases in response to negative financial events, which could negatively affect product demand and other related matters. Intel’s results, including revenue, gross margin, expenses and interest and other, would likely be adversely affected in the event of widespread financial and business disruption on account of a default by the U.S. on U.S. government obligations and/or a prolonged failure to maintain significant U.S. government operations. Intel operates in intensely competitive industries that are characterized by a high percentage of costs that are fixed or difficult to reduce in the short term and product demand that is highly variable and difficult to forecast. Revenue and the gross margin percentage are affected by the timing of Intel product introductions and the demand for and market acceptance of Intel’s products; actions taken by Intel’s competitors, including product offerings and introductions, marketing programs and pricing pressures and Intel’s response to such actions; and Intel’s ability to respond quickly to technological developments and to incorporate new features into its products. The gross margin percentage could vary significantly from expectations based on capacity utilization; variations in inventory valuation, including variations related to the timing of qualifying products for sale; changes in revenue levels; segment product mix; the timing and execution of the manufacturing ramp and associated costs; start-up costs; excess or obsolete inventory; changes in unit costs; defects or disruptions in the supply of materials or resources; product manufacturing quality/yields; and impairments of long-lived assets, including manufacturing, assembly/test and intangible assets. The tax rate expectation is based on current tax law and current expected income. The tax rate may be affected by the jurisdictions in which profits are determined to be earned and taxed; changes in the estimates of credits, benefits and deductions; the resolution of issues arising from tax audits with various tax authorities, including payment of interest and penalties; and the ability to realize deferred tax assets. Gains or losses from equity securities and interest and other could vary from expectations depending on gains or losses on the sale, exchange, change in the fair value or impairments of debt and equity investments; interest rates; cash balances; and changes in fair value of derivative instruments. Intel’s results could be affected by adverse economic, social, political and physical/infrastructure conditions in countries where Intel, its customers or its suppliers operate, including military conflict and other security risks, natural disasters, infrastructure disruptions, health concerns and fluctuations in currency exchange rates. Expenses, particularly certain marketing and compensation expenses, as well as restructuring and asset impairment charges, vary depending on the level of demand for Intel’s products and the level of revenue and profits. Intel’s results could be affected by the timing of closing of acquisitions and divestitures. Intel’s results could be affected by adverse effects associated with product defects and errata (deviations from published specifications), and by litigation or regulatory matters involving intellectual property, stockholder, consumer, antitrust, disclosure and other issues, such as the litigation and regulatory matters described in Intel’s SEC reports. An unfavorable ruling could include monetary damages or an injunction prohibiting Intel from manufacturing or selling one or more products, precluding particular business practices, impacting Intel’s ability to design its products, or requiring other remedies such as compulsory licensing of intellectual property. A detailed discussion of these and other factors that could affect Intel’s results is included in Intel’s SEC filings, including the company’s most recent Form 10-Q, Form 10-K and earnings release.


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